



Organize Your Financial Clutter in 2024

Getting organized is one of those goals that can seem like it would be life-changing – if you could just get it done.

The process can be enjoyable, and the results can make your life feel more in control and can make your space less cluttered. For a while. Then you get more stuff, you get busy, or you simply don't put the stuff back where it belongs. And some of us can't (or won't) part with stuff.

Even Marie Kondo, the ruthless decluttering guru who insisted that everything should "spark joy" has "kind of given up" and realized that life can get in the way of perfection, and if something provides ten minutes of keeping your kids busy, that's a good substitute for joy.

The organization process often focuses on time or space. In other words, you use a planner or scheduler to budget your time efficiently, or you buy fancy stuff to organize your kitchen, your office, or your kids' toys. All these new tools and new structure feel satisfying – order has been made from chaos -- but wait, what about financial organization?

A Forbes poll late last year reported that 38% of respondents selected "improve finances" as a top new year's resolution for 2024. It came in third, right behind improving fitness and mental health.

So why is it so hard to get started on organizing your money? Maybe because money is tied to deep emotions and is woven into all our relationships. Organizing your pasta by shape in matching containers? Easy and satisfying. Looking over your spending and deciding what to reprioritize? Scary and hard.

But unlike most forms of organizing, the effort you put into your finances not only works now – it sets you up to succeed in the future. A good financial plan will help you:

- Save more effectively
- Be prepared for emergencies
- Minimize financial anxiety
- Maximize your assets
- Create flexibility in your lifestyle
- Protect yourself and your family

While you will need to tune up and adjust a financial plan over time, the hard work largely happens in the beginning. Once you do it, you have a framework you can use and modify as you grow and needs change.

Getting Started

Start by borrowing from the organization industry – get some cool tools and aids to make it a little fun and exciting, so you'll be motivated to get going. A good first step is a minimal investment in simple, user-friendly personal finance software. What is the best choice? Any system you will stick with – from desktop software to automated apps, we've seen it all work. Some software tools include Simplifi by Quicken which has a good dashboard experience and is inexpensive, or the Mvelopes app for an envelope-style structure, or YNAB for budgeting/projections (for a fee) or PocketGuard for tracking expenses. There are dozens of good apps and systems available – finding a fit with your personal approach so that using it becomes routine will be the key to success.

Take a Big-Picture, Holistic Approach

What should you be focusing on? There are some key things that are the starting point for a solid financial plan.

- **Budgeting**

- How much are you spending?

- How much are you saving?

- Do you have any big expenses coming up?

- Is your emergency fund equal to three-to-six months' of your actual living costs?

- **Debt**

- How much debt do you have? A good target is for debt to be no more than 36% of your pre-tax income.

- Is it high-interest credit card debt, or lower-interest education, or mortgage debt?

- Can you consolidate your debt at a lower rate, or pay it off with a home equity loan?

- Is it manageable to pay off high-interest debt by increasing monthly payments?

- **Investing**

- Does your portfolio match your time horizon and your goals?

- How much risk are you taking?

- Are you well diversified across asset classes?

- Are you considering other forms of investing, like income-producing properties?

- Are you considering taxes as part of your investment plan?

- **Taxes**

- Do you have a multi-year tax plan in place?

- Do you own your own business?

- Are you maximizing tax-advantaged savings?

- Are you planning for taxes in retirement?

- **Insurance**

Is your health insurance plan right for your needs? Would a high-deductible plan that allows you to save in a Health Savings Account work for you and your family?

Do you have life insurance? Have you thought about term life or whole life?

Depending on your profession, long-term disability insurance may be necessary.

Is it time for an umbrella policy?

Is it time to purchase long-term care insurance? The sweet spot is younger than you think – it starts at age 50 and gets more expensive after age 70.

- **Estate Planning**

Do you have young children? Who would care for them?

Do you have a healthcare power of attorney in place?

Do you have a will? Have you considered a trust?

Have you created a safe storage spot for all your passwords?

Tackle One Thing at a Time

The above list is overwhelming if you think about doing all of it. But doing each task independently will improve your financial health, and as you continue along and rack up successes, your overall picture will get brighter.

Breaking down goals and working through them one by one gives you something to focus on and sets you up for wins. Taking each of the topics above, a good approach is to rank them by their importance to you as a goal, and then tackle them in order. One month you may tackle budgets. This leads naturally to working on paying down debt. Tax season is a great time to set yourself up for additional tax savings next year, and to think about strategies that will help you in the future.

Find a Quarterback

As you get into the more complicated items, like investing, insurance, and estate planning, it may help to have a quarterback. A financial advisor can help you create a plan that ties together all the elements of financial life, and they can work with other professionals, like your CPA and your lawyer, to ensure that your plan covers all contingencies and is flexible enough to evolve with you as you go through life.

The Bottom Line

The other benefit of a financial advisor is that they can both help to motivate you and reduce the anxiety that goes along with money. A financial advisor can help you have great conversations as a family and can help you see the big picture in terms of the choices and trade-offs you need to make.

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