

# Spring Cleaning 2022

## *Purposefully Decluttering your Finances*

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Why?



Mess Equals Stress –  
and stress causes  
inefficiencies.

# Why?

**Organizing and decluttering our finances can lead to:**

- Establishing a baseline and clear financial goals
- Meeting those goals (more quickly)
- Peace of mind for ourselves and loved ones

# How?

1. Decluttering the Paper Piles
2. Inventory & Consolidation
3. Drilling Down on Debt
4. Final Touches & Future Planning

# Decluttering



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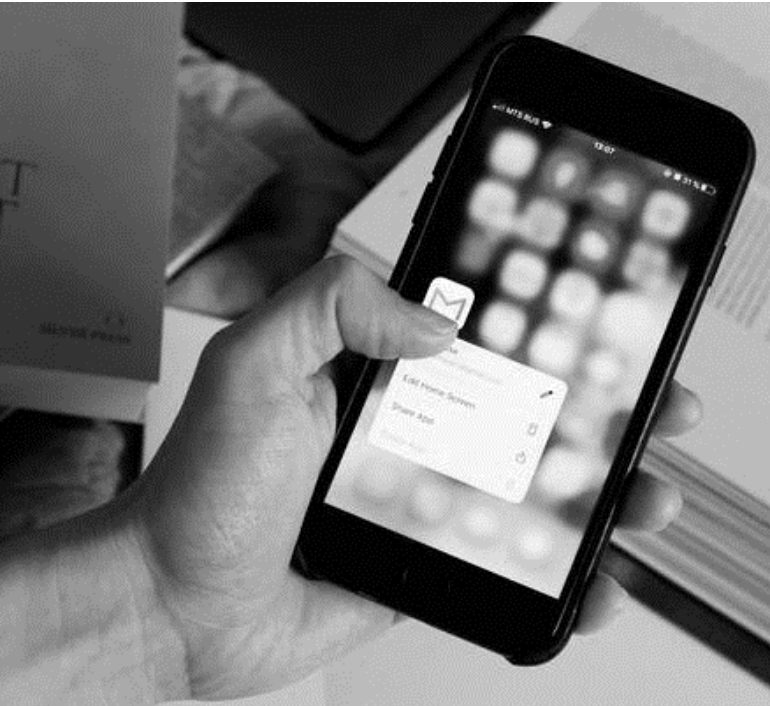
**What paper statements  
are you getting now?**

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# Decluttering



## Opt for E-Delivery

- Saves money
- Saves space
- Prevents clutter
- Saves environment
- Increases security

**How many of you  
(or your family members)  
have years' worth of  
financial statements stored?**

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# Be Sure to Shred



- Scan docs you want to keep electronically
- Shred everything you can dispose of

# Documents to Maintain



- Maintain one well-organized/labeled expanding file folder with critical docs
- Critical documents may include:
  - Legal Documents
  - Vital Records (birth, death, marriage, divorce, adoption, etc.)
  - Tax returns - depending
  - Physical stock certificates & bonds – or transfer to street name
  - Property records, car records, warranties

# Inventory & Consolidation



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# Taking Inventory



**Assets**

**VS**



**Liabilities**

# Taking Inventory

## **ASSETS: What you OWN**

Cash (Checking/Savings)

Investments

Insurance Cash Values

Real Estate

Personal Property

Loans Receivable

Automobiles

## **LIABILITIES: What you OWE**

Loans

Credit Cards

Personal Debts

Monthly Bills

Mortgages

Unpaid Taxes

Automobile Loans

The more specific the better!

Include every individual account, bill, credit card, loan, etc.

# Create a Centralized View

Use free tools that may already be available to you:

- Apps like Mint, CountAbout, Banktivity (Apple users) often come with free trials or free versions
- Your bank, retirement plan platform, or investing platform may also have account aggregators available for free
- Financial Advisor may have offerings or capabilities you are not yet familiar with (E-money, MoneyGuidePro)



**Do you have recurring  
automated expenses?**

**Do you still use all of them?**

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# Understand Your Spending



- Review and categorize credit card statements to understand spending habits
  - *Tip: pay close mind to subscriptions and recurring automated expenses!*



# Consolidate Where Sensible



- Consolidate bank accounts to one provider
- Combine like-titled investment accounts
  - Simplifies asset **location**
  - Greater control over asset **allocation**
  - Put excess cash to work

**Have you changed jobs  
recently or in the past?**

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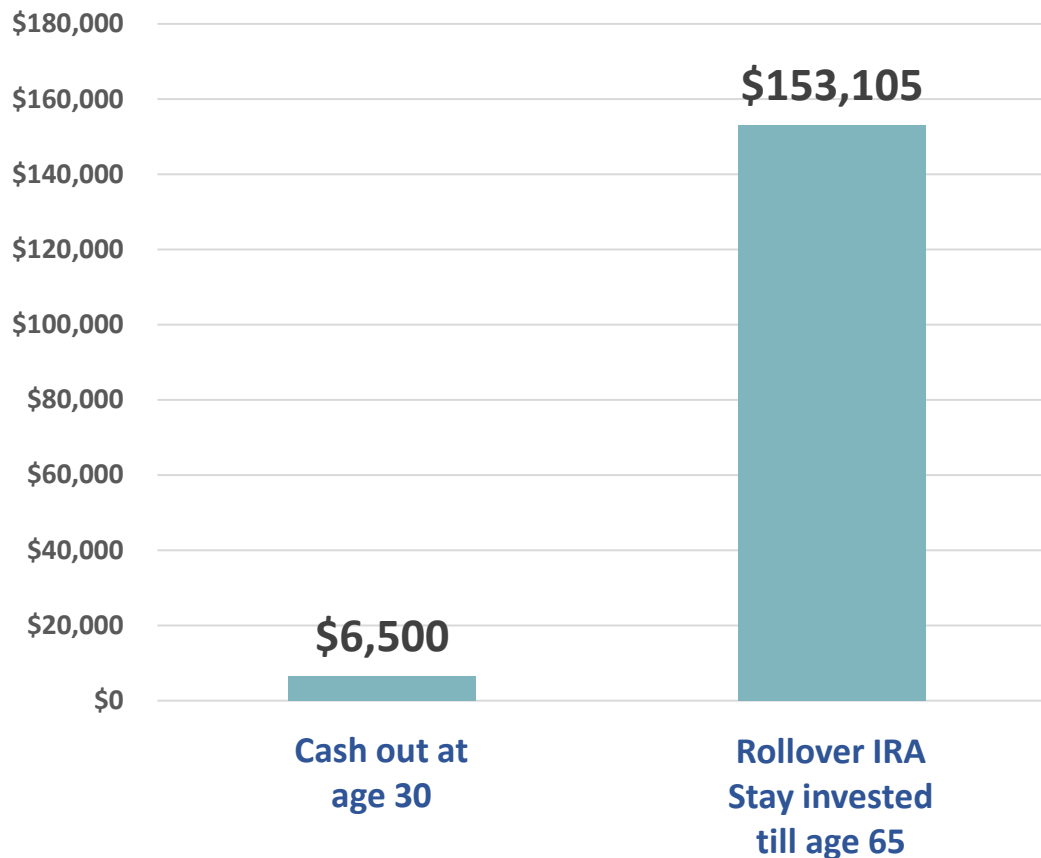
# Consolidate Where Sensible



- Don't forget about old Employer Plans!
  - Could be in cash
  - Racking up fees
  - Misallocated for your needs
  - Could be contributing to an IRA

# Time is On Your Side

What if you cashed out a \$10,000 401k when you switched jobs?



*All examples are hypothetical and for illustrations purposes only. Assumptions: 30 year old employee with an account balance of \$10,000 and a retirement goal of age 65. Assumes an annual rate of return of 9% and a 25% Tax Rate. Assumes 10% penalty on cashing out before age 59.5.*

# Drilling Down on Debt

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**Have you looked at your  
credit report lately?**

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# Start with the Inventory & Understanding



- Understand your Credit Score
  - Credit Karma
  - AnnualCreditReport.com
  - Credit Card Apps
  - Bank Statements
- Fraud – be mindful and stay diligent
  - Freezing credit if you've been compromised
  - Unfreezing considerations
  - Same name as a relative?
    - Check that your records are YOUR records

# Methods for Cleaning Up Your Credit

## Method 1: Snowball

### Debt Snowball Method

1. List out all your debts
2. Make minimum payments on everything
3. Pay extra on your smallest debt
4. Move on to the next-smallest debt
5. Repeat until all debt is paid off



credible



## Debt Snowball

**START SMALL, GO BIG**

Start with your smallest debt first and work up to the larger ones, paying minimum payments on your larger debts until the smallest one is paid off.

**Pros:** This is a great momentum-building strategy.

**Cons:** Your smallest debt may not be your debt with the highest interest rate.



# Methods for Cleaning Up Your Credit

## Method 2: Avalanche



### Debt Avalanche

#### START BIG, GO SMALL

Start with your highest interest debt first and work your way down to your debt with the lowest interest rate.

**Pros:** May result in your debt being paid off faster overall than the debt snowball method.

**Cons:** It will most likely take you significantly longer to see concrete results which could make it more challenging for you to remain motivated.

# Methods for Cleaning Up Your Credit

## Consolidating, Closing and Restructuring



- Carrying credit card debt is often most expensive
  - Consider a balance transfer or a personal loan
  - Consolidate when possible, closing cards you no longer use or need
- Refinance or consolidate student debt
- Explore a home refinance if rates are favorable



# Final Touches & Future Planning

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# Final Touches & Future Planning

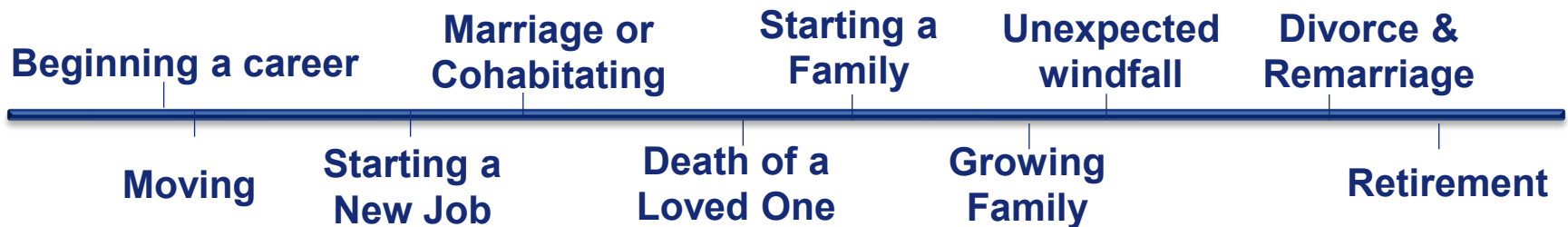
## Check Beneficiaries

- On Employer Plans, IRAs and Life Insurance policies –  
*update if needed*

## Review fiduciary appointments

- Will - who is your executor?

Life Event? Check again!



# Final Touches & Future Planning



- Make a plan for routine maintenance of your finances.