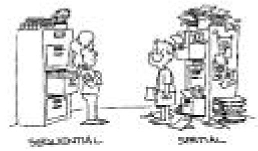

Spring Cleaning

May 2005

Getting your *financial* house in order

As we peer out our Cook Rd. offices, we see garages being cleaned, yards being mowed, gardens being mulched and wonder if individuals devote the same diligence to their financial situation. Some undoubtedly do; many don't. The recent April 15th tax deadline forced some financial organization on us all, albeit begrudgingly so. While you're fresh from weeding through old receipts, 1099's, w-2's, bank statements, we thought we'd share a few pointers on managing this process. No matter what your level of organizational skill is, you may garner some benefit from the following:

- Buy a paper shredder. Increasingly, much of what you receive is filler and compliance nonsense. Still, anything that contains sensitive personal information should be shredded for security purposes.
- While you should retain tax returns indefinitely, you only need to retain supporting documents for 7 years (except if there is fraud involved in which case the statute for enforcement never closes).
- Retain your last 3 years of bank statements (given the ease of electronic retrieval this is becoming less important).
- Retain year-end portfolio, 401k, and any other investment statements. Monthly statements can accumulate and can be easily retrieved if needed.
  - You can also request that financial information be sent quarterly and/or emailed to you if desired. This reduces needless paperwork.
- Retain trade confirmations for all open transactions outside retirement accounts. Although most all advisors/custodians keep cost basis records, it's advisable to keep the originals in the event of a discrepancy.
- Retain the last 3 years of all insurance policies in force. Always review upon renewal to ensure coverage is sufficient (& not excessive). Always consider whether a higher deductible (and lower premiums make sense for you).
- Retain the last 6 years of credit card annual summaries (your credit card company should provide) to the extent used as support for your tax return. Shred monthly statements if no longer needed.
- Keep a list of all credit card #'s and providers handy should loss/theft occur. Make sure someone else knows of your hiding place.
- Keep your **updated** Will with all your other financials or, at the very least, provide instruction where this very important document can be retrieved. Keep Trust/Estate documents together – preferably with your Will.
- Make a concerted effort to consolidate investment holdings and bank accounts. Portfolio diversification is not achieved through mail diversification. In fact, multiple accounts complicate the process.
- Consolidate debt into one form - say a home equity loan. Then pay it off systematically.
- Keep a tax file throughout the year for copies all related documents. This saves time at year-end.
- Consider writing personal checks from an electronic checkbook like Quicken. You can always keep a separate, manual checkbook for emergencies and simply update your program for those checks (get different numbers from the computer checks)

Obviously this list is not exhaustive but provides a good starting point for financial organizing and minimizing. Personally, I keep individual folders for the various documents: "Investments", "Banking", "Insurance" etc. and file accordingly. Then I weed them out annually. Houlihan Asset Management also provides financial binders with pockets to encourage financial organization. Let us know if you would like one.

Speaking of saving things……

Retirement plan contribution limits have been increased for 2005 as follows (second figure is for those youngsters age 50 and older). Maximum contribution levels are:

- IRA's - $4,000/$4,500 (always consider the income limitations if you participate in a plan at work)
- 401k's - $14,000/$18,000.
- Simple plan – $10,000/$12,000

It's still not too late to take advantage of these higher limits. Also, for further review of the 2005 tax tables please visit our website at www.houlihan.biz.