

Financial Focus: Do some spring cleaning on your (financial) house

Written by Betsy Blevins

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March 17, 2011 - It's spring -- time to clean out the gutters, tune up the lawnmower and wash down the windows. But as you attend to these types of tasks around your home, why not take the time to do some financial "spring cleaning" as well?

Specifically, consider these moves:

"Dust off" your investment strategy. If there's an area in your home that you haven't looked at for a while, you may need to dust it off in preparation for the new season. And the same principle may apply to your investment strategy -- if you haven't examined it for a while, it may be time to clean it up to prepare for a new season in your life. After all, since you initially designed your investment strategy -- that is, the total amount you invest, the percentages going into "growth" and "income" vehicles, the dollars going into taxable versus tax-deferred accounts and so on -- many things may have changed for you, such as your employment situation, the number of children in your household and even your long-term goals. Consequently, you may need to revise your investment strategy in consultation with your financial advisor.

"De-clutter" your portfolio. The chances are pretty good that if you look around your house, you'll find many things that are actually duplicates, such as those five coffeemakers you've accumulated over the years -- so you decide to "purge" a few. And when you take a close look at your portfolio, you might find several investments that you've added over time and that are similar to each other. If that's the case, you might help yourself by selling the "redundant" investments and using the proceeds to buy different ones that can help you diversify your portfolio. (Keep in mind that while diversification can help reduce the effects of volatility on your portfolio, it can't guarantee gains or prevent losses.)

Prepare yourself for stormy weather. During springtime, we often experience heavy rains, hailstorms, high winds and other types of inclement weather. That's why we keep our roofs in good shape, keep branches away from our homes and take other steps to protect our houses and property from the ravages of Mother Nature. You and your family could go through some rough "weather" too, during the course of your lives, so you'll want to make sure you have sufficient protection in the form of adequate life and disability insurance. Review your coverage to make sure it's still adequate for your needs.

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Open up the windows of opportunity. After a long winter, you'll find it pleasant to open the windows of your home and let in the sun and the air. And as an investor, you'll find "windows of opportunity" through which you can open yourself up to good investment possibilities. For example, even though we've clearly been in a challenging economy the past couple of years, a number of factors - such as low interest rates, improved corporate earnings and favorable stock valuations (the price you pay for a stock, relative to its earnings) -- have actually meant that it's been a pretty good environment for investors looking for quality stocks.

By doing some financial spring cleaning, you may find that you've swept away some of the obstacles to helping achieve your goals.

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