How to Spring Clean Your Finances for Retirement

By Kelly Campbell

This spring may be one of the most anticipated seasons in years, following the never-ending series of snowstorms we have seen over the past few months. Fortunately, we know that the days of delays, shoveling and cold weather should come to an end in the next few weeks. Before the ground gradually thaws, allowing us to get back to enjoying activities outside of our homes, take some time to spruce up your finances and make sure you're on the right path for retirement. Just as you may have a spring tune-up to get your vehicles back into prime shape, look at the following as a checklist to get your finances in condition for the years of retirement ahead.

Start by adjusting your contributions to your 401(k) or retirement plan, following any increase in salary. Typically, we see clients receive an annual bonus and cost of living increases from their job, but they seldom remember to increase their contribution amounts. Any adjustment in income affords you an opportunity to review your contributions and make sure they are in line with your goals and needs.

In 2015, you are eligible to contribute up to $18,000 to a 401(k) or 403(b). If you are over the age of 50, you can make a "catch-up contribution" of up to $6,000 for a total annual contribution of $24,000. Meet with your financial advisor to review your financial plan to see how much you should contribute to your 401(k).

If you are near or already in retirement, consider your ability to clean up your investment accounts. Some simple steps to make your life easier include:

-- Roll over old 401(k) plans: When you leave an employer, you are able to roll over your account value into your individual retirement account or 401(k) at your new employer. Consolidate IRA accounts. If you have an IRA at multiple institutions, consider your reasons for doing so.

-- Consolidating accounts makes it easier to track investment performance and limit overlap of funds. You may also cut down your investment fees by rolling funds into one account.

Another often overlooked, but extremely important area to review is your beneficiary designation on all accounts. Beneficiaries are available on the following accounts:

-- life insurance

-- annuities

-- retirement accounts (IRA, 401(k) and 403(b)

It's critical to make sure the beneficiary listed is current with your wishes. Often we see the beneficiary as an ex-spouse which can cause a pretty awkward situation. It is also imperative to maintain a contingent beneficiary on all accounts in the event that the primary beneficiary has passed away. The review is easy to do, but could make a big difference at your death.

With health care expenses in retirement averaging over $220,000 for a 65-year-old couple, considering the benefits of a health savings account (HSA) could prove valuable during your golden years. A HSA allows you to make 100 percent-tax deductible contributions from your gross income to a tax-deferred account to be used to pay for medical expenses. In 2015, HSA holders can contribute up to $3,350 for an individual and $6,650 for a family. If you are over age 55, HSA holders get to save an extra $1,000, which means $4,350 for an individual or $7,650 for a family.

You must have a high-deductible health plan to qualify for an HSA. However, considering how large the list of eligible expenses is, an HSA has enough benefits that it could be considered by many. The final area that may use some sprucing up is your existing life insurance policies. Often, life insurance policies may need adjustment at retirement. We frequently receive questions about the validity of keeping life insurance policies into retirement and if there is, what amount is appropriate? Although I may do an entire blog on this subject in the future to go into more depth, here are a few of the primary areas to be reviewed:

Who owns it: The ownership of the policy determines which estate the death benefit will be counted in. You'll want to consult your tax and insurance advisors prior to transferring ownership, as there could be irreparable consequences as a result, but transferring ownership may make sense in some instances.

Who is the beneficiary: A beneficiary can be an individual, trust or company. The reason for the purchase of the insurance should guide you to the best choice. The first step in reviewing the beneficiary is making sure that it is current with your wishes. The next is to make sure a contingent beneficiary is on file.

What is the purpose: Life insurance, in most instances, serves as a pot of money to provide an income or pay off a debt in the event of a premature death. At retirement, you have conceivably saved up enough money that the insurance may no longer be necessary. However, there may be instances when the death benefit can increase the amount and efficiency of your legacy. Further, it's good to review the cost of the coverage. As life expectancy has grown, pricing has gone down, making the ability to afford life insurance much easier in retirement.

Although we could go on about the numerous ways you could fine-tune your finances, the list above gives you a great starting point. If you're looking to supercharge your finances before entering retirement, consult your financial advisor to ensure you're on the right path. Good luck, investors.

http://finance.yahoo.com/news/spring-clean-finances-retirement-134326869.html