

How a Document Review Can Help Achieve Your Goals

By Andy Hoffman, CFP®, CTFA, Private Client Advisor

Saving time and energy often involves clearing clutter and disorganization from our lives — even with our finances. Consolidating your financial records will ultimately ensure that when you need a piece of information or documentation, it will be in an easily accessible, convenient place. Having a manual spreadsheet, software, or online system to handle and store routine paperwork, important documents, and monthly bills in one specific location eliminates hours of backtracking and searching for misplaced documents.

While it may be a task you've put off for months, even years, having an accurate, up-to-date review of your total financial picture is an integral component of determining whether you are headed in the right direction for achieving your financial and retirement goals.

The following section highlights answers to three common questions about documentation reviews you may find helpful.

What is the purpose of a document review?

As we mentioned above, the primary reason to conduct a document review is to help you get organized so you and a trusted financial advisor can take stock of your current financial situation.

Secondly, the document review will show you whether changes need to be made to align with your short and long-term goals. What may have made sense for your financial plan five years ago may no longer apply to your current situation. That is why it is important to review all aspects of your financial life, including changes to your investment allocation, updating beneficiaries on retirement accounts, or reviewing options for a life insurance policy which no longer has a purpose.

Lastly, while a document review can be labor intensive, once completed it can help provide peace of mind knowing your affairs are in order and loved ones can avoid lengthy wealth transfer issues once you are gone. You do not want to leave your goals up to chance, and a periodic review can ensure you are doing everything possible to achieve them.

What documentation is necessary for the review process?

Your bank accounts, savings accounts, investment accounts, retirement plans, etc. are good starting points for gathering information to review your assets. Examine your most recent statements for the following information:

- Ownership and titling of accounts. Check to make sure each account is correctly titled. If an account was opened in your individual name, and you have since created a revocable trust, it might make sense to retitle the account. If you have an account under an individual name with no beneficiary, it could potentially lead to probate, which can be costly and time consuming.

Having a Document Review Is Key to Achieving Your Goals

“Organizing your finances and taking stock of your overall wealth is the main reason to conduct a document review once your goals have been identified.”

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- Balance information and investment allocation. Obviously, you will want to know the current balances compared to historical balances. However, you should also review the asset allocation and underlying investments. Is your allocation still in line with your risk tolerance? Does your allocation need to be adjusted to better align with your goals?
- Outstanding liabilities and the underlying interest rates. If a loan was taken out during a period of high interest rates, maybe there is an opportunity to refinance the debt at a lower rate. Reviewing this information can also help you develop a plan to pay down your liabilities, starting with high interest credit cards or student loan debt.
- Estate documents. It is extremely important to periodically review your estate documents. As life events occur, such as marriage or death, it is important to update your estate documents accordingly. Also, the documents may need to be amended for any tax law changes. In addition to estate documents, beneficiaries of retirement plans and life insurance policies should be reviewed and updated, if necessary.
- Life insurance policies and annuity contracts. Many people have life insurance policies they purchased at a young age and have now accumulated large cash values. If the life insurance is no longer needed, there may be other opportunities to better leverage the cash (e.g., a hybrid long-term care insurance policy). It is also important to periodically obtain in-force illustrations of your policies or contracts. If there is a loan on a policy, it is important to monitor the loan balance and cash value to ensure the policy does not accidentally lapse. This can lead to adverse tax consequences.

How often should you do a document review?

Your assets and liabilities should be reviewed by your financial advisor at least annually, if not semi-annually. An easy way to keep track of your account documentation is to create a balance sheet listing each account with its owner, custodian, and current balance. Estate documents and beneficiaries should be reviewed every three to five years or as major life events take place.

Next steps

Having an accurate, real-time perspective of your financial documents is an important part of determining whether you are on track to meet your long-term goals. Your Commerce Trust team of professionals is here to help you take the necessary steps toward enjoying the benefits of an organized financial life and making your dreams a reality. For more information regarding a document review, contact us today.

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Andy is a private client advisor for Commerce Trust. He serves as a consultant and relationship manager providing clients with personalized objective advice and oversight across all of our services, including trust administration, financial advisory services, private banking, and investment management.

Andy facilitates all aspects of relationship management for the client team, including administering complex trusts, maintaining client communication, and coordinating with internal and external partners to deliver a superior client experience. He joined Commerce in 2016 with ten years of industry experience.

Andy received his Bachelor of Science degree in finance/economics and Master in Business Administration with a concentration in finance from Rockhurst University. He has achieved the designation of Certified Trust and Financial Advisor and certification of CERTIFIED FINANCIAL PLANNER™. Andy is a member of St. Ambrose Catholic Church and the Crusaders Club at St. Ambrose. He enjoys spending time with his wife Megan, daughter, Maggie, and two dogs, Mia and Bowser. He also enjoys watching the Blues, Cardinals, and Illinois basketball and football.

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