

Organizing Your Financial Records

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Are your financial records organized in a way that simplifies your life and makes it easy to find the information you're looking for? If you had a serious accident or died tomorrow, would your spouse or heirs know where to look for your investment accounts, insurance policies, etc? Do you have all of the records that you should be keeping? Are all of the documents updated to reflect current conditions? If not, now's a great time to think about some financial spring cleaning! From a financial document standpoint these are the most important items to consider.

Financial Binder:

Start with a three-ring binder where you keep key summary information about your financial life. The purpose of this binder is to make it easier for you to find key information at a glance and provide your heirs with a master list of insurance policies, bank and brokerage accounts, and phone numbers of financial professionals. This binder can also be quickly removed from the home in the case of an emergency. Don't go overboard with detail in this binder – just include an overview of each of the major

financial areas, including:

1. Wealth Management Plans & Projections – include a high level net worth statement
2. Investment Plan/Policy Statement
3. Investment Account List – including the custodian, account number, and current balance.
4. Real Estate & Loans – include locations, market value, and mortgage information.



5. Insurance Policies – include only a copy of the summary pages, not the whole policy.
6. Tax Summaries – include only the summary sheet for the past two year's tax returns.
7. Advisors – include name, address, and phone numbers for your accountant, financial advisor, attorney, insurance agent, etc.

Legal Binder:

This binder includes your estate planning documents which will generally include the following (legal documents related to business interests may also be included):

1. Last Will & Testament
2. Living Will (Medical Directive)
3. Medical Power of Attorney
4. Durable Power of Attorney
5. Living Trust

Make sure that the key individuals listed in your legal documents (executor, guardians, successor trustees, etc.) have been informed of their role and know where to find these documents when they need them.

File Cabinet:

This is the location for the detailed documents and supporting documentation. Consider investing in a fire-resistant cabinet or safe in order to protect these documents in the case of a home fire. Definitely keep any records that are difficult to replace, such as birth certificates and an original will inside a fireproof safe. Typical documents to organize in your file cabinet include:

1. Autos – purchase, repair, and maintenance records.
2. Bank account statements.
3. Home inventory – this is a

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commonly neglected record. In the case of a home disaster, a comprehensive listing of household contents makes replacing those items through insurance significantly easier. Ideally include both written information as well as a video record.

4. Insurance policies – auto, home, health, and life insurance.
5. Investment statements – keep trade confirmations relating to basis and sales price for taxable accounts.
6. Loans – records related to mortgages, installment, and other loans.
7. Payroll – check stubs
8. Retirement accounts – keep records of contributions to non-deductible IRAs and Roth IRAs. The burden of proof is on you to show you've already paid taxes on the contributions.
9. Taxes – Complete tax returns and documents to support your deductions.
10. Warranties, Guarantees, and Manuals – for appliances and other large equipment.

Safe Deposit Box or Fireproof Safe? Many people keep their wills in a safe deposit box at the bank, but this could create some unexpected problems for your heirs. The bank may seal the box at your death until your

executor can prove they're authorized to open it. That problem can usually be avoided by putting a trusted relative's name on the safe deposit box with you. The other common alternative is a home fireproof safe, but this can cause problems as well if your executor doesn't know the combination. With both situations, advanced communication is the key to avoiding unnecessary problems.

What To Shred, What To Keep: once you have your documents organized, you need to implement a maintenance plan so you don't get buried under a pile of paper. Fortunately you don't need to keep every piece of paper, and with electronic records it's getting easier to go paperless altogether. Here are some guidelines for what to keep and what you can safely shred.

Shred Each Month: Receipts for minor purchases without a warranty once you've used the item. Most credit card receipts, ATM and bank deposit slips after you've recorded the amounts and checked them against your monthly statement. Keep receipts needed to document a tax deduction.

Shred Each Year: Monthly statements from banks, brokerage firms, and credit cards once you've received the annual statement summarizing the year's transactions. Keep investment records showing the

purchase and sale price for stocks and mutual funds so you can accurately calculate capital gains.

Keep For 7 Years: The IRS can challenge any information in your tax return for three years and has up to six years to conduct an audit based on unreported income, so keep tax returns and supporting records for at least seven years. In fact, if you have the space it's a good idea to keep tax records indefinitely – there's no statute of limitations on audits if the IRS believes something in the return was fraudulent.

Keep Indefinitely: Receipts for big purchases that have a warranty and home improvement records. (Although there is currently a \$500,000 capital gain exemption for couples on the sale of a primary residence, this could change in the future so it's a good idea to hold onto records that could reduce your tax liability.) Birth certificates, real estate deeds, insurance policies (while in force), car titles, and an inventory of household assets should also be held indefinitely.

With some basic organization and ongoing maintenance, these financial records need not be a massive chore. In fact, to those who have to sort things out in the wake of a disaster or death, organized records can truly be a blessing to those we love the most.

