

# THE FASTER TIMES

## How to Organize Your Financial Records

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There's likely no shortage of paper around your home. There's a pile for this, a pile for that. It's a source of agitation, but somehow you never get around to organizing. Just looking at the stuff makes you say, tomorrow, tomorrow, tomorrow.

However, when it comes to financial records, you can't afford to be haphazard. Not only might it cost you if Uncle Sam comes calling and you don't have all the documentation you need, with sloppy records, how clear a picture can you have of your financial situation?

No doubt, there was list of things you vowed to do all year and now it's December. One thing you shouldn't push off, yet again, is getting your financial records together.

### Set up a system

Set aside two fireproof file cabinets, home safes or lock boxes. One for current stuff and another for information you'll need over the long haul. Or check to see what your financial planner suggests. "I have clients whose organizational skills range from super-organized to chaotic at best. I've established an electronic archiving system that's integrated with my planning software which allows them to easily access their material/documents/papers for their use, their accountant, and/or their heirs when probating of their estate may become a necessity," says Dan Limmer of Planning Solutions. Also see what your bank offers. For example, Wells Fargo vSafe, is a personal online safe. It offers secure online storage to safeguard, organize, and access electronic copies of important documents - from birth certificates, immunization records, to wills and photos. You might also find useful, [www.ClutterClarity.com](http://www.ClutterClarity.com).

But filing of records can be whatever works for you, says Gloria Birnkrant, a CPA and partner with NSBN. "It can be as simple as an envelope for every month, or one for every category of income or expenses, by year," she adds.

### What to keep

**The active file.** This is where you'll want to have things like unpaid bills, current brokerage statements, loan statements, payment books, insurance policies, automobile registrations, appliance warranties, employment contracts, benefits booklets from your employer, your will, family health records, power of attorney documents (if you have one), credit card statements, records of business expenses if you're self employed, paycheck stubs and

anything that you will need for your current year's taxes, like receipts for contributions to charity, mortgage payments, or child care expenses.

**The inactive file.** All information related to charitable donations should be maintained for three years after the filing of the return, because the IRS has a three-year statute to audit the returns, says Fran Coet, managing principal and CPA at Coet & Coet. Know however, that your state may have a different statute of limitations, for example, in California, it's four years from the date filed, explains Birnkrant. You'll want to keep at least seven years of tax returns and back up materials for those returns. Hold onto receipts and invoices related to home improvements like that new roof, outdoor deck, or rehabbed kitchen, for example.

Keep all statements about new investment purchases until you sell the investment and complete your taxes for the year in which the transaction occurred, advises **Tom Petro, CEO of Fox Chase Bank**. You need this information in calculating capital gains related to the transaction, he adds.

Retain the year-end copy of your pay stub information for six months, in case you need to show several months of pay history for loan applications in a new year.

### **What to toss**

"You can throw away items that have no tax consequences," says CPA John Azodi.

Truth is, you don't need to keep everything. For example, if you update a will, or make changes to your power-of-attorney designation, better to get rid of the old one to avoid confusion. The last thing you want is someone to find the old one, and for your true wishes to be unfulfilled.

Keep annual statements for six or seven years to be safe, but beyond that, shred or otherwise dispose of your valuable information ever so delicately. You can toss documents that have expired like old insurance policies and warranties, receipts for a car you no longer own, or paycheck stubs from that job more than a decade ago. Routine monthly bills can probably be tossed after a year, assuming there is no dispute surrounding them.

Think twice though, about what you tuck away in a safety deposit box at a bank. Once the bank is alerted to the death of the owner, they may seal and lock the box until after legal proceedings. There could be a delay in your heirs opening that box. So, you may not want to have things like your funeral arrangement requests or estate planning documents like wills, power-of-attorney, and others unavailable at the time your loved one will need.

All this will be for naught, if you fail to let someone know where your records are kept.