

Money 2000

and Beyond

Organizing your financial records



Do you find yourself wasting time hunting through piles of papers every time you need to find a receipt, insurance policy or credit card statement?

Do you vow that you will get organized — soon?

Sure, going through mounds of paper will take time to sort and classify. But creating a system that works for you will save time, money and effort in the long run.

Why keep and organize your records?

Saving and organizing your records can...

- Prove that you paid for a service or item.
- Save time and ease stress over locating records, especially at tax time or in an emergency.
- Help you pay bills on time.
- Document claims to collect insurance, veterans' or Social Security benefits.
- Dispute errors on credit card or banking statements.
- Show legal proof of marriage, birth, divorce, death, custody or citizenship.
- Have a starting point for determining your financial status.
- Keep family finances updated.
- Establish ownership and provide a basis for sound estate planning.
- Make it easier for your survivors to find everything.

Establish record-keeping ground rules

1. There is no one perfect system, so design a system that is easy for you to use, maintain and update.
2. Develop a system that is easy for other household members or a trusted friend or relative to understand and use, if necessary.
3. Choose appropriate places to keep your records. Select a home office, a kitchen drawer, file cabinet or a covered box in the bedroom. Work space nearby is ideal.
4. Decide who will be responsible for recordkeeping. Encourage family members to cooperate with the system. Spouses may want to take turns handling recordkeeping tasks such as paying bills, filing papers and reviewing files.
5. Establish a regular routine and time to do the paperwork needed. Use this time to review past spending and make any needed changes.



Where to Keep Your Personal and Financial Records

Current active records

- Current bills
- Papers to file
- Spending plan and expense records
- Banking records
 - Monthly statements
 - Canceled or duplicate checks
- Loan payments
- Tax records
- Business expenses
- Personal

Records you carry with you

- **Wallet**
 - Driver's license or Wisconsin ID
 - Credit/debit cards
 - Health insurance cards
 - Membership cards
- **Vehicle**
 - Vehicle insurance card
 - Vehicle registration

Permanent active records

- **Personal records**
 - Employment/education
 - Health (medical/dental)
 - Insurance (health/long-term care) policies
 - Personal/professional advisers
 - Passport/copy of birth certificate
 - Subscriptions/memberships
- **Property records**
 - Housing
 - Vehicles
 - Household furnishings inventory
 - Insurance (home/vehicle) policies
 - Keys
- **Financial records**
 - Checking/savings accounts
 - Credit cards/loan accounts
 - Net worth statements
 - Tax records
 - Safe deposit box inventory
- **Investments and retirement***
 - Certificates of deposit information (account numbers, interest statements)
 - Stocks, bonds, mutual funds information
 - Pension plans
 - IRAs, 401(k) or 403(b) plans
 - Annuities
 - Social Security statement
- **Estate planning**
 - Wills
 - Powers of attorney for finances
 - Trust agreements
 - Life insurance policies

* You may want to have a file folder for each investment or retirement account.

Safe deposit box

- Birth, adoption, marriage and death certificates
- Citizenship papers
- Military service records
- Custody agreement, divorce decree
- Deeds and titles to property and vehicles
- Household inventory, photos, serial numbers
- Estate planning documents
- Checking/savings account numbers and financial institutions
- Bank and credit card numbers and telephone numbers of issuers
- Rare coins, stamps, gems and other collectibles
- Certificates of deposit (CDs)
- Stock and bond certificates
- Contracts and other legal papers
- Insurance company names and policy numbers
- Social Security numbers

Creating a record-keeping system that works for you will save time, money and effort.

For more information, ask your county UW-Extension office for *Our Family Records* B2369, a comprehensive publication that includes worksheets to record detailed personal and financial information. It is also available from Cooperative Extension Publications at the address on the back page.

Organize your records

Set up your filing system into the following areas:

- **Current active records** that you use or refer to regularly
- **Records you carry with you**
- **Permanent active records at home**
- **Permanent records in a safe deposit box**
- **Inactive records** for long-term storage at home

Current active records

Keep these files handy and near a work area, since you may need to add to them and work from them several times a week.

- **Current bills** — This folder contains incoming bills. When bills are paid, mark the payment date and check number, then transfer them to papers to file or permanent records.
- **Papers to file** — Except for current bills, store papers here until you review them and store in a permanent file or toss.



- **Spending plan and expense records** — Keep a copy of your monthly spending plan, list of financial goals and expense records.

To track your monthly income and expenses, use a notebook or account book such as *Our Family Account Book* B2372. For more information on developing a spending plan and tracking expenses, refer to the publications in this series *Taking Control of Your Spending* B3709-2 and *Tracking Your Spending* B3709-3. These are available from your county UW-Extension office or the address on the back page.

- **Banking records** — Store your monthly checking/savings account statements, canceled or duplicate checks for the current calendar year. Then move those needed to prove tax deductions or for investments to permanent active records.
- **Loan payments** — Keep payment books and account statements for mortgage, vehicle, student or other installment loans.
- **Tax records** — Use a large envelope to collect records for your income tax returns. Keep a running list of deductions. When you have filed this year's return, move to permanent active records.
- **Business expenses** — Keep receipts for business-related meals, gas, lodging, and other business-related expenses. If you itemize these on your tax forms, store in your permanent active records with a copy of your tax return.

- **Personal** — Keep copies of the records you carry with you in case they are lost, stolen or misplaced. You can also use this file for letters to answer, other correspondence, address lists, and a calendar of special dates.

Records you carry with you

Several records should be kept in your wallet and your vehicle:

- Cards to keep in your wallet include your driver's license or Wisconsin ID, credit or debit cards, health insurance cards, medical information for emergency treatment, and membership cards.
- Records to keep in your vehicle include your vehicle insurance card, vehicle identification and registration cards.

Permanent active records at home

Use this file for longer-term storage of important records and information.

Over time or as situations change in your life, you may need to add, delete and update these records. It's a good idea to review your files at least once a year.

Personal records

- **Employment and education** — Employee pay stubs or statements, benefit information and statements, resume, copies of contracts, letters of recommendation, transcripts, awards and diplomas
- **Health** — Immunization records, doctor and dental visits, medical history such as illnesses and surgeries, allergies, prescriptions, blood type, living will (Declaration to Physicians) and/or power of attorney for health care

- **Insurance** — Current health and long-term care policy documents or policies and a list of the companies and phone numbers
- **Personal/professional advisers** — Name, title, address and phone number for ready reference
- **Travel documents** — Passport if you travel often, and copy of birth certificate
- **Subscriptions/memberships** — Lists of publications and organizations, renewal dates and dues/costs

Property records

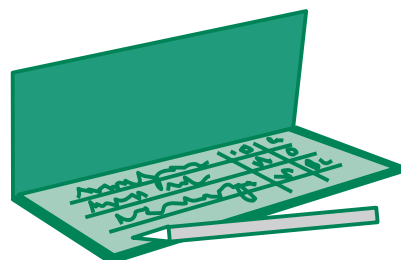
- **Housing** — Copy of your lease if you rent, mortgage payments, receipts for home repairs and improvements
- **Vehicles** — Purchase receipts, registration information, and maintenance and repair records on all vehicles — cars, trucks, boats, recreational vehicles, snowmobiles, all-terrain vehicles (ATVs), etc.
- **Household furnishings inventory** — Receipts, warranties and instruction booklets for appliances and furnishings, copy of the household inventory. Remember to update your inventory every six months or whenever you make major new purchases.
- **Insurance** — Homeowners or renters policies, vehicle policies, claim forms and information
- **Keys** — Place extra keys to safe deposit box, vehicles and home in a sealed, labeled envelope.

Financial records

- **Checking and savings accounts** — Monthly statements, canceled or duplicate checks, check registers, passwords/PINs (personal identification numbers)
- **Credit cards** — List the company, account number and phone number to contact if the card is lost or stolen. Also keep monthly statements, paid bills, account information, cardholder agreements.
- **Loan accounts** — Statements and paid receipts
- **Net worth statements/spending plans** — Keep several years' worth. You can use the net worth worksheet on page 7 and the spending plan worksheets in *Taking Control of Your Spending B3709-2*, available from your county UW-Extension office or the address on the back page.
- **Tax records** — Keep copies of income tax returns and documentation including income data and receipts or records that prove tax deductions. Refer to IRS Publication 552 *Recordkeeping for Individuals* (see back page to order).*
- **Safe deposit box inventory** — Note location of box and key, list what you keep there.

Investment and retirement records

- **Certificates of deposit** — Keep a list of account numbers and quarterly interest statements.
- **Stocks and bonds** — Purchase and sales records, annual reports, brokerage statements. You may want to keep a separate folder for each account if you have more than one.
- **Mutual funds** — Purchase and sales statements, prospectus and annual reports. You may want to keep a separate folder for each fund account.
- **Pension plans** — Quarterly account statements and annual reports
- **Individual retirement accounts (IRAs)** — You may want to have separate folders for traditional and Roth accounts. Keep records of amounts that are deductible and non-deductible for tax purposes. Keep tax records with IRA information as long as you live.
- **Tax deferred retirement accounts** — Contracts and quarterly statements for 401(k), 403(b), deferred compensation or other employer-sponsored retirement accounts
- **Annuities** — Contracts and regular account statements
- **Social Security** — Benefits information and earnings statements



* See "How long to keep records" on page 6.

Estate planning documents

For more details, refer to *Family Estate Planning in Wisconsin B1442*, available from your county UW-Extension office or the address on the back page.

- **Wills** — Copies of wills, lists of personal property for distribution (memorandum for distribution of tangible personal property), names of personal representative, and letters of final instruction
- **Powers of attorney for finances**
- **Trust agreements** — Copies of trust agreements and other legal documents
- **Life insurance policies**

Permanent records for safe deposit box

Keep records and other items that you cannot replace — or that would be costly or difficult to replace — in a safe deposit box at a financial institution or in a home fireproof safe. These items may include:

- Birth, adoption, baptismal, marriage and death certificates
- Citizenship papers, passports if you do not travel often
- Military service records
- Custody agreement, divorce decree
- Original property documents such as mortgage papers, deeds and titles to real estate, vehicle titles
- Household inventory on paper, photos or video, serial or identification numbers
- Copies of wills, trust agreements, and advance directives such as living wills (Declaration to Physicians), powers of attorney for health care and finances

- Checking/savings account numbers and financial institutions
- Bank, brokerage and credit card numbers and issuers' telephone numbers
- Rare coins, stamps, gems and other collectibles
- Certificates of deposit (CDs)
- Stock and bond certificates, including government bonds
- Contracts and other legal papers
- List of insurance companies and policy numbers
- Copies of Social Security cards

For married couples, it's a good idea to have names of both husband and wife on the safe deposit box, so that either one can have access to the contents. Review the contents of your safe deposit box annually, and update the contents list for home storage. You may want to photocopy original documents and keep the copies in your home permanent files for easy reference.

Inactive records for long-term storage at home

Select a time at least once a year to review each permanent active file:

- Discard any record that has expired or been replaced, such as the manual for a discarded appliance, or paid utility bills.
- Transfer to inactive storage other items that pertain to an important event in your life or those you may need to refer to in the future. The file headings may be the same as your permanent active records. Store these files in a closet, an attic, basement or garage.

Filing tips

Alphabetize or color code each major section of your files. When your folders are ready to file, place them in alphabetical order within each major section. For example, begin with Estate Planning and end with Property Records or Retirement Records.

If you have several investments, you may want a file folder for each mutual fund, stock, or bond that you own, filed in alphabetical order. Within each folder, keep the records in chronological order, with the more recent information in front. When you receive the annual statement listing the year's activities, discard previous monthly or quarterly statements. Review your files annually.

How to organize a home filing system

To get started, make a list of the different files you will need for your records. Then buy a box of file folders, labels or colored tab markers, and a file cabinet, covered cardboard boxes or accordion folders. Label each file folder, and place in the file cabinet, cardboard box or accordion folder. Color-coding is a good way to highlight different sections of your files.

An alternative is to use a three-ring binder or notebook with pocket dividers to store papers. Label the dividers according to the types of records you keep.

Next, set aside enough time to review your information, and determine where to file each folder: with your current active records, permanent active records at home, permanent records for safe deposit box, or inactive records for long-term storage at home. Use the chart on page 2.

After you have sorted all your records and materials, review the contents of each file folder. List in pencil on the folder front the contents of each folder, as well as the date you last reviewed the contents.

How long to keep records

The Internal Revenue Service (IRS) has a three-year statute of limitations on auditing a tax return. If you use income averaging, you would need to prove your taxable income for four base years. If you fail to report more than 25 percent of your gross income, the government has six years to collect the tax or start legal proceedings.

However, filing a fraudulent return or failing to file a return eliminates any IRS time limit. Many financial advisers recommend keeping tax records and supporting materials permanently — not only for tax purposes, but also as proof of employment and income for other financial concerns.

Keep copies of federal and state income tax returns as long as you live if they contain IRA information. Keep health and legal records as long as you live.

Keep canceled or duplicate checks, receipts and bills marked paid for major purchases such as furniture, appliances and computers as long as you own the item. Keep documentation of home and property improvements and investments as long as you own the property and investment.

Preparing a net worth statement

Once you have gone through the effort of organizing all your records, you can more easily compile a net worth statement. This personal balance sheet is a “financial snapshot” of what you own, deducting what you owe.

You may need this **net worth statement** to...

- Apply for a loan.
- Determine insurance coverage.
- Chart your financial growth.

When listing the value of your **assets (resources)**, you may want to follow these guidelines:

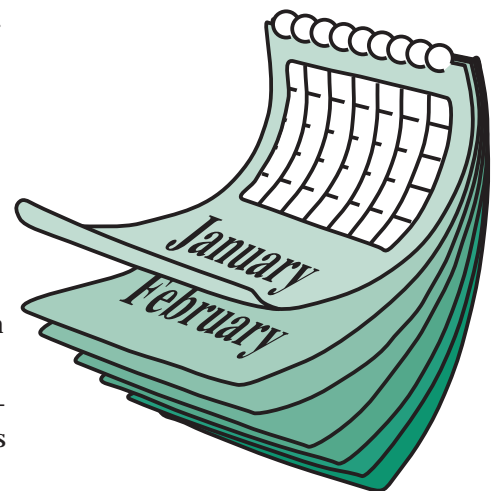
- Ask a real estate agent for the fair market value of your home.
- Check with a banker, car dealer or on the Internet for the value of vehicles.
- Be conservative when estimating the value of household contents. Think about what you could get if you sold the items at a garage sale.
- Have antiques, collectibles, artwork, furs and jewelry appraised for their value.
- Check the newspaper, Internet or a broker for current value of stocks, bonds and mutual funds.
- Call your insurance agent or company for the cash surrender value of whole life insurance policies.
- Check with your employer for the current value of your pension or profit sharing.
- Remember to include current balances on all checking and savings accounts.

When figuring the amount of your **debts (liabilities)**, follow these guidelines:

- Include current unpaid bills such as utility, dental or medical bills.
- Check statements for balance due on all charge accounts, credit card statements, installment loans and personal loans.
- Check the mortgage loan balance on your last statement, or call the mortgage holder.

Once you have totaled the values of all your assets and all your debts, subtract the debts from the assets to determine your net worth. Make sure you write the date on your net worth statement. You may also want to include footnotes on the assets and debts to indicate ownership, noting if certain assets are solely or jointly owned.

Figure your personal and household net worth statements at about the same time each year, such as January 1 or April 15. Keep these annual statements in your permanent files and note your progress from year to year.



Net Worth Worksheet

Date: _____

Assets — What we own

Cash/cash equivalents:

Cash on hand _____
 Checking accounts _____
 Savings accounts _____
 Money market accounts _____
 Life insurance cash surrender _____
 Other _____

Invested assets:

Certificates of deposit (CDs) _____
 Stocks and bonds _____
 Mutual funds _____
 Pension plan equity _____
 Individual retirement accounts (IRAs) _____
 Tax deferred accounts, 401(k) or 403(b) plans _____
 Investment real estate _____
 Annuities _____
 Other _____

Use assets:*

Home and other real estate _____
 Vehicles _____
 Furnishings, jewelry, art _____
 Sports or hobby equipment _____
 Other _____

TOTAL ASSETS: \$ _____

Debts/liabilities — What we owe

Short-term:

Current unpaid bills _____
 Credit card debt _____
 Installment debt _____
 Other _____

Long-term:

Mortgage _____
 Home equity loan _____
 Student loan _____
 Loan against life insurance policy or 401(k) _____

TOTAL DEBTS/ LIABILITIES: \$ _____

TOTAL ASSETS: \$ _____
 Minus **TOTAL DEBTS:** - _____
 Equals **NET WORTH:** \$ _____

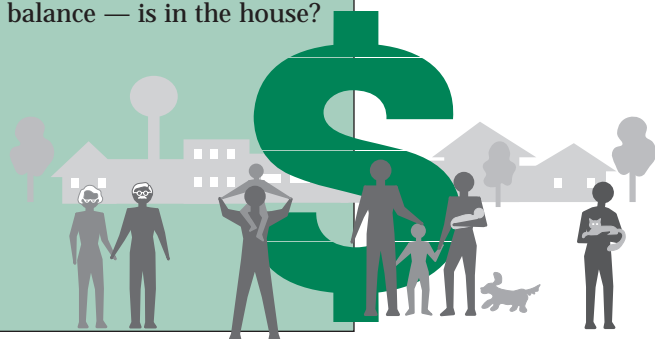
* List current market value, not purchase price.

Take the time to review your work

When you complete the net worth worksheet, ask the following questions:

1. Where are most of the assets? Are they mostly in the house or vehicles?
2. How much of the assets are liquid — easily turned into cash?
3. How much is available to be used for an emergency?
4. How long will savings last if they are used to pay current living expenses?
5. How much equity — current market value minus mortgage balance — is in the house?
6. Is there cash value in a life insurance policy?
7. Are debts greater than assets?
8. How does this statement compare to last year's net worth?
9. Where do I (we) want to be in another year?
10. What do I (we) need to do to get there?

Congratulations on getting organized! Keep up the good work.



References

- Ames, Eleanor. *Managing Your Money, Keeping Records in Order*, Ohio State University Extension, 1994.
- Boelter, Linda, and Karen Goebel. *Managing Between Jobs: Making the Most of What You Have*, University of Wisconsin-Extension, 1992.
- Dahl, Barbara. *Organizing Your Family and Financial Records, A Working Women's Guide to Financial Security*, Illinois Cooperative Extension, 1996.
- Money Mechanics: Record Keeping* PM 1452a, Iowa State University Extension, 1995.
- Pankow, Debra. *Family Records: What to Keep Where and for How Long*, North Dakota State University Extension, 1998.
- Stephenson, Mary J., and Susan Morris. *Financial Statements* Fact Sheet 698, Maryland Cooperative Extension, 1997.
- Stephenson, Mary J. *Recordkeeping* Fact Sheet 705, Maryland Cooperative Extension, 1997.
- Take Control of Your Finances, How Do You Organize a Financial Center*, University of Illinois Extension, 1999.

Resources

- Other University of Wisconsin-Extension publications that will help you track and spend your money:
- Advance Directives for Health Care: Wisconsin Living Will and Power of Attorney for Health Care* B3604
- Family Estate Planning in Wisconsin* B1442
- HomeWise: Help for New Homeowners* B3618
- Investment Basics* B3683
- Look Before You Leap: A Guide to the Legal and Financial Implications of Marriage... and Remarriage in Wisconsin* B2707
- Money 2000 and Beyond:*
- Taking Control of Your Spending* B3709-2
- Tracking Your Spending* B3709-3
- Using Power Payments to Pay Off Debt* B3709-4
- Using a Check Register to Track Your Expenses* B3709-5
- Use with *Check Register Tracking System* B3709-6
- Our Family Account Book* B2372
- Our Family Records* B2369

Web sites

- Money 2000 & Beyond*, UW-Extension Cooperative Extension:
<http://www.uwex.edu/ces/money2000>
- Your Money Matters*, Wisconsin Department of Financial Institutions:
<http://www.wdfi.org>

Other resources

- Living Will, Powers of Attorney** — For a copy of each statutory form — living will (Declaration to Physicians), power of attorney for health care or power of attorney for finances — send a stamped, self-addressed business-size (No. 10) envelope to:
- Division of Public Health
Wisconsin Department of Health and Family Services
P.O. Box 309
Madison, WI 53701-0309
- Recordkeeping for Individuals** IRS Publication 552 — Order from:
IRS Forms and Publications
(800) 829-3676 — Allow two weeks.
- On the Internet:
<http://www.irs.ustreas.gov>

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Author: Mary Fran Lepeska, associate professor and family living educator, Ozaukee County University of Wisconsin-Extension. Produced by Cooperative Extension Publications, UW-Extension: Rhonda Lee, editor; Susan Anderson, designer.

Reviewers: Marsha A. Goetting, extension family economics specialist, Montana State University-Bozeman; Carolyn M. Krueger, family resource management specialist assistant, UW-Extension; Cynthia Needles Fletcher, associate professor and extension specialist, Department of Human Development and Family Studies, Iowa State University; and David Mancl, administrator, Division of Corporate and Consumer Services, Wisconsin Department of Financial Institutions.

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