



FINANCIAL BASICS



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This material should be used as helpful hints only. Each person's situation is different. You should consult your investment professional or other relevant professional before making any decisions.

ORGANIZING YOUR FINANCIAL RECORDS

Many people struggle every time they open their mail or email. They ask themselves, "Is this important? Do I need this? Should I keep it? Should I throw it away?"

Somewhere between the paper squirrel, who saves everything "just in case," and the purger, who tosses everything in the trash, is the organized person for whom keeping records is no big deal. Becoming that organized person is not simple, but taking the steps necessary to get your financial records under control is a task with many rewards — first and foremost, a good night's sleep.

Keys to success

Having an organized approach to financial records can remove much of the stress associated with living in an increasingly complicated world. As children, parents, spouses, partners, investors, citizens and employees, we all play many roles, each with a trail of paper attached.

This information sheet will help you organize your records by touching on these key topics:

- What records should you keep?
- How long should you keep them?

- How should you keep them organized?
- How can you make sure that someone has access to your records in case of an emergency?

What to keep

Knowing what records to keep can be as simple as knowing why you need them.

There are many reasons to keep financial records. In addition to keeping track of papers associated with day-to-day consumer activities such as making purchases and paying down debt, you probably have papers and documents that will be needed only in the event of an emergency, a death in the family or an unforeseen turn of events.

That is why many experts suggest you separate your papers by your need to use them, keeping short-term items together and long-term items together.

Key points

Recordkeeping should be simple. Whether you use file cabinets, boxes or bins, create a system that you can follow.

When you save a piece of paper or an email, be sure you know why you need to keep it. This will help you determine how long to keep it.

Very few of your financial records should be kept "forever" (see list on page 3). All other items should be purged at least once per year.

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Short-term files would include items from the past year, such as

- unpaid bills
- paid bills
- bank statements
- canceled checks
- credit card statements
- health records
- an updated resume or updated employment records
- income tax receipts for deductions, income, etc.
- major purchase receipts
- insurance policies
- IRA statements (Monthly Statements)

Your **long-term files** should include items such as

- bank statements (past seven years)
- credit card statements (with home improvement expenses)
- canceled checks (past seven years)
- receipts for home improvements
- warranties and operating instructions for appliances
- income tax records and backup for previous three years
- gift tax returns
- inheritance papers
- legal papers about formerly owned properties
- reports from trusts
- birth certificates
- Social Security cards
- burial vault/plot deeds
- wills/living wills
- powers of attorney*
- car titles
- house titles/deeds
- investment account statements (If year-end statements have all tax information, these are typically the only ones you need to keep.)

* Originals of sensitive financial documents such as these should be kept with an attorney, if possible.

- pension plan statements
- annuities statements
- mutual funds statements
- stocks and bonds

What about taxes?

There are basically two types of tax information you need to be concerned about: information you need in case of an audit and information you need to support your claims of income.

Backup for your returns While false or fraudulent returns can be pursued forever, the IRS can audit you for up to three years from the date you file your return and can pursue underreported income for up to six years.

Keeping tax returns and supporting documents for seven years (because the IRS has six years from when you file to investigate) is a reasonable approach to keeping tax documentation.

Exception Because many of your important files will double as backup for taxes, if your tax returns contain information about home purchase or sale information, you should keep those records indefinitely.

A rule for keeping your documents: three, seven or forever

Presuming that you clean out your immediate and long-term files annually, here are some general guidelines for how long you should keep your documents. Your short- and long-term files should be cleaned out at least once per year, with your short-term files either destroyed or placed in a long-term file.

Be sure to shred any sensitive documents, especially those with account, Social Security and date-of-birth information.

Keep three years

- household bills
- credit card statements
- receipts for minor purchases
- canceled checks
- check registers
- bank statements

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- pay stubs (If you worked for the same employer all year, your year-end stub should have all your information.)
- tax returns and supporting documentation

Keep forever (or until assets are sold)

- receipts for home improvements
- receipts for major purchases
- annual IRA statements (Year End)
- gift tax returns
- inheritance papers
- insurance policies
- mutual funds statements
- a copy of your will
- health care proxy forms

Where to keep everything

Whether it is a file cabinet, boxes or a shopping bag that holds your records, it is helpful to separate them by using file folders or tabs so it is easier to locate what you are looking for. While only you can decide the filing system that works best for you, remember to

- keep it simple — use generic and commonplace terms
- clean out your files once a year
- keep the most recent files accessible
- keep all files in one place

If you use the short-term/long-term system for your files, you may want to keep a “to be filed” area and jot the word “short” or “long” on each piece of paper. Again, during your annual cleanup, certain short-term files will become long-term files and others will be disposed of.

Computer users

Many people now receive financial statements over the Internet and store valuable financial information on their home computers, making their computers a critical source in the event that someone needs to access those records. It is important to back up computer files and keep the backup data in a safe place and keep computer passwords with your other important information.

Only you know the best way to keep your records, but experts agree that there are certain rules. Make your

system easy to keep, easy to use and easy to change. If you keep files this way, you will have the added benefit of having a system that is easy for someone else to understand.

Safe deposit box

A safe deposit box can be a secure place to keep certain valuables and important papers, but some important items may not need to be placed in a safe deposit box.

Put in a safe deposit box

- stock certificates
- coins, stamps and other collectibles
- auto titles, mortgages and deeds
- original copies of birth, marriage and death certificates
- adoption papers
- divorce and child custody papers
- videos or photos of contents of your home for insurance

Don't put in a safe deposit box

- original copies of wills*
- powers of attorney*
- insurance policies
- anything that may be needed in the event of death

A word of caution In the event of a death, safe deposit boxes may be sealed (inaccessible even to those with a key). Therefore, it is not recommended that you keep originals of those documents needed in the event of death (see list above) in a safe deposit box. It may be wise to keep these original documents in an alternate secure place, while keeping only copies in the safe deposit box.

Providing a key — a letter of instruction

Chances are a relative, a neighbor or a landlord already has a key that would let that person into your home should a serious event — fire, water main break, blackout, electrical emergency — occur. Leaving a key with someone makes good sense. Likewise, you should create a “key” to your important financial records and make sure someone you trust has possession of it.

* Originals of sensitive financial documents such as these should be kept with an attorney, if possible.

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Your financial key is simply a list of where your important papers and files are and who to call for more information about them. It may be a simple list, such as this:

Item	Where to find	Who to contact
birth certificates	safe deposit box	Nora Joyce, Esq.
health care proxy	safe deposit box	Evan Gross, M.D.
will	fire-proof box in attic	Nora Joyce, Esq.

Besides leaving this key in your house with your financial files, make sure at least one person you trust knows where it is. Even a file marked “financial key” or “in case of emergency” in your financial files could be helpful to someone charged with piecing together your financial records.

Remember, regardless of how organized you are, if your papers cannot be found, they will not be useful to someone trying to help in a crisis. Whether it is a spreadsheet or a list, having a financial key in the hands of someone who has access to your records can be extremely helpful in a time of emergency.

One last thought

While organizing your financial records is not as simple as “when in doubt, throw it out,” common sense does play a big part. When you think about filing a document, ask yourself if you have ever needed that type of information before and why you are keeping it. If the answers are “no” and “just in case,” chances are it is probably okay to dispose of it.

Contact your financial advisor for more information.

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