

Keeping Organized

WHPE

Chapter Overview

This chapter covers:

- Benefits of being organized.
- Understanding property insurance.
- Annual tax preparation.
- Household record keeping system.
- Records storage advice.

Take-away messages

Paperwork matters!

Know what to store and where to store it.

Plan for the unexpected.

The Benefits of Being Organized

Saving and organizing your records helps you:

- Prove that you paid for a service or item.
- Save time and ease stress.
- Pay bills on time.
- Document claims for benefits.
- Dispute errors on credit card or banking statements.
- Show legal proof of marriage, birth, divorce, death, custody or citizenship.
- Determine your financial status and stay updated.
- Provide a basis for sound estate planning.
- Make it easier for your survivors to find everything.

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.

Understanding Property Insurance

Standard Homeowner's Insurance covers:

- Rebuilding & Repair Costs of the Home
- Replacement Cost of Stolen or Damaged Items
- Liability Insurance
(If someone is injured on your property, or if other property is damaged due to your negligence.)

Insurance can salvage your family's life after a disaster or replace expensive items after a break-in.

Standard Homeowner's Insurance covers

Rebuilding & Repair Costs of the Home

In case of fire, windstorm, hail, tornado, vandalism, smoke damage, or other damage

Replacement Cost of Stolen or Damaged Items

Computers, furniture, art, etc.

Liability Insurance

If someone is injured on your property, or if other property is damaged due to your negligence

Supplementary insurance

Earthquake

Mudslide

Flood

Understanding Property Insurance

continued

- Hazard Insurance
 - Protection for physical damage to home and belongings.
 - Can be for “replacement” (preferred) or “actual cash value.”
- Liability
 - Protection for injury to people on your property.
- Deductible
 - Amount you the homeowner must pay toward damages before insurance pays.

Hazard Insurance

Your home is your greatest asset. Your lender will require that you have homeowner’s insurance to ensure that the house is protected in the event of damage from fire, storm, or other natural causes. You will want to have your personal belongings covered. You will also want to think about funds for alternative shelter should a catastrophe like fire strike your home. Protection for only the physical damage that can be caused to the home is called “hazard insurance.”

Liability: In addition to protecting your home, it is a good idea to have “liability” insurance which will cover costs if someone is injured on your property.

deductible: Insurance policies come with a “deductible”, which is the amount you the homeowner must pay toward damages before insurance kicks in. The higher the deductible, the more money you must have on hand to pay if something does go wrong. However, with a higher deductible your annual insurance costs will be lower because you pose less of a risk to your insurance company. It is important to choose a deductible amount that you feel comfortable paying and it is a good idea to keep that amount tucked away in an “emergency fund.”

Replacement Cost versus Actual Cash Value

There are two types of homeowner’s insurance policies, one which covers the actual cash value of your home and its contents, and the other which covers “replacement cost.” Replacement cost policies are better because they will actually pay to rebuild the structure or repurchase the items you lost, although they are more expensive. The “actual cash value” policies will determine how much the items were worth at the time of the loss and pay you that amount.

For instance, a half-used roof has an “actual cash value” of about half the cost of a new roof. However, if a fire damages your roof, you cannot ask a roofer to replace it for half price. You would be forced to pay the difference out of pocket to make up for the insurance company’s “actual cash value” reimbursement. Purchase a “replacement cost” policy if at all possible since this is the actual

cost of replacing something you use, and will save you money and heartache in the event of an emergency.

Obtaining Homeowner's Insurance

1. Determine the VALUE OF THE CONTENTS of your home.
2. Determine HOW MUCH insurance you need.
3. Determine if there are any COMMON DISASTERS in your area that require additional insurance.
4. Ask about DISCOUNTS.
5. Keep an eye on your CREDIT HISTORY to lower rates.
6. Select the highest deductible that you can afford.
7. SHOP AROUND.

Determine the VALUE OF THE CONTENTS of your home. Walk through your home and make a list of your personal items. Save receipts and warranties for new expensive purchases. Take photos of expensive items like computers, stereos, electronic equipment, musical instruments, art, jewelry, and furniture.

Determine HOW MUCH insurance you need with the help of an insurance agent. The agent will help you figure out the approximate replacement value of your home by measuring the square footage and examining the materials used to build it.

Determine if there are any COMMON DISASTERS in your area that require additional insurance (floods, earthquakes, etc.)

Ask your insurance agent about DISCOUNTS. Often there are discounts if your home has dead-bolt locks or fire-resistant roofing material. Long-time customers may also be offered lower rates.

Keep an eye on your CREDIT HISTORY. Your insurance costs may be higher if your credit score is low, so work to build or maintain a high credit score.

Select the highest deductible that you can afford. The key is to be able to afford to pay the deductible, a.k.a. the cost required of you before insurance kicks in. If you can save an emergency fund and feel comfortable with a high deductible, purchasing such a policy will have lower annual costs.

SHOP AROUND. Get estimates from at least three companies and compare prices.

9 Ways to Save on Insurance

1. Increase your deductible.
2. Combine your insurance coverage into a blanket policy.
3. Ask about other homeowners insurance discounts
4. Don't buy coverage you don't need.
5. Make your home a better insurance risk, ask your agent how.
6. Keep your insurance up to date.
7. Check for risks that may increase the cost of your policy.
8. Keep up your credit score.
9. Shop around.

Nine Ways to Save on Your Insurance

- Increase the amount of your deductible
- Combine your homeowners, auto, and other insurance coverage into a blanket policy
- Ask about other homeowners insurance discounts
- Don't buy homeowners coverage you don't need (e.g. don't cover jewelry if you don't own any)
- Make your home a better insurance risk, ask your agent how.
- Keep your insurance up to date, including recent improvements and major purchases
- Check for risks like pools, trampolines, and certain breeds of dog (e.g. Rottweilers, Doberman Pinschers, pit bulls) that may increase the cost of your policy or limit or void it.
- Keep up your credit score
- Shop around for insurance

Annual Tax Preparation

Keep a “tax file” of important documents.

Include:

- Income documents (ex. W-2, 1099s)
- Tax documents (ex. educational, child care, daycare or adultcare expenses)
- Tax deduction documents (ex. healthcare expenses, mortgage interest paid, vehicle registration, job related expenses)

Income documents

W-2s

1099s

Proof of jury duty pay

Proof of alimony you received

Social Security statement (1099-SSA)

Dividend and interest statements (1099-DIV and 1099-INT)

Retirement distributions (1099-R)

Brokerage statements (1099-B), along with statements showing when you bought and sold your investments

K-1 statements reporting profits from partnerships, trusts, and small businesses,

Record of income and expenses for your rental property

Record of income and expenses for your self-employment

Other tax documents

HUD-1 Escrow statement for property you bought or sold,

Summary of moving expenses,

Summary of educational expenses (college tuition),

Summary of your child care, day care, or adult day care expenses,

IRA contributions (traditional, SEP, or rollovers)

Student loan interest paid (1098-E)

Tax deduction documents

Health care expenses (doctors, dentists, health insurance, eye care, medicine)

Real estate taxes

Motor vehicle registration

Mortgage interest paid (1098)

Gifts to charity

Last year's tax preparation fees

Job-related expenses (union dues, job education, uniforms)

Loss of property due to casualty or theft
Gambling losses
Adapted from <http://taxes.about.com>

Household Record Keeping System

1. Make it easy to use, maintain and update.
2. Make it easy for other household members to understand and use, if necessary.
3. Choose appropriate places to keep your records. Work space nearby is ideal.
4. Decide who will be responsible for recordkeeping.
5. Establish a regular routine and time to do the paperwork needed. Use this time to review past spending and make any needed changes.

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.

Home Filing System

- Make a list of the different files you will need.
- Alphabetize or color code each major section of your files
- Within each folder, keep the records in chronological order, with the more recent information in front.

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.

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.

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.

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contents.

Storing Personal & Financial Records

- Current active records – keep near a work area at home.
- Records you carry with you – in your wallet or vehicle
- Permanent active records – at home
- Permanent records that you cannot replace – in a safe deposit box
- Inactive records for long-term storage – at home

According to *Money 2000 and Beyond: Organizing Your Financial Records*:

Set up your filing system into the following areas: Current active records – keep near a work area at home.

Records you carry with you – in your wallet or vehicle

Permanent active records – at home

Permanent records that you cannot replace – in a safe deposit box

Inactive records for long-term storage – at home

See next slides for descriptions of each

Current Active Records

(Home and Away)

Keep these files handy and near a work area:

- Current bills
- Papers to file
- Spending plan and expense records
- Banking records
- Loan payments
- Tax records
- Business expenses
- Personal records

Keep these files in your wallet or vehicle:

In your **wallet**:

- Driver's license or state ID
- Credit or debit cards
- Health insurance cards
- Medical information for emergency treatment
- Membership cards.

In your **vehicle**:

- Insurance card
- Vehicle identification
- Vehicle registration

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.

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 Record Storage

(at home)

– **Personal records:**

- Employment and education
- Health records
- Insurance
- Personal/professional advisers
- Travel documents
- Subscriptions/memberships

– **Property records**

- Housing
- Vehicles
- Household furnishings inventory
- Insurance
- Keys

Permanent active records at home:

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

Household furnishings inventory — Receipts, warranties and instruction booklets for appliances and furnishings, copy of the household inventory.

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.

Permanent Active Record Storage

(at home)

- **Financial records**
 - Checking and savings accounts
 - Credit cards
 - Loan accounts
 - Net worth statements/spending plans
 - Tax records
 - Safe deposit box inventory
- **Investment and retirement records**
 - Certificates of deposit
 - Stocks and bonds
 - Mutual funds
- Pension plans
- Individual retirement accounts (IRAs)
- Tax deferred retirement accounts
- Annuities
- Social security
- **Estate planning documents**
 - Wills
 - Powers of attorney for finances
 - Trust agreements
 - Life insurance policies

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.

Tax records — Keep copies of income tax returns and documentation including income data and receipts or records that prove tax deductions.

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

Estate planning documents

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 in a safe deposit box at a financial institution or in a home fireproof safe, such as:

- Birth, adoption, baptismal, marriage and death certificates
- Citizenship papers
- Military service records
- Custody agreement, divorce decree
- Original property documents
- Copies of wills and trust agreements
- Rare coins, stamps, gems and other collectibles
- Certificates of deposit
- Stock and bond certificates
- Contracts
- List of insurance companies and policy numbers
- Copies of Social Security cards

Birth, adoption, baptismal, marriage and death certificates

Citizenship papers, passports if you do not travel often

Military service records

Safe Deposit Tips:

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 also want to photocopy original documents and keep the copies in your home permanent files for easy reference.

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

Inactive Records for Long-term Storage

(at home)

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

- 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.
- Store these files in a closet, an attic, basement or garage.
- Discard any record that has expired or been replaced.
- Plan to keep most of these records for as long as you live or as long as you own a particular property or investment

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.