



YOU AND YOUR MONEY:  
THE MONEY MANAGER SERIES



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KEEPING RECORDS

by

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WHY KEEP RECORDS?

Family members usually do not agree completely on what they value or how they wish to spend money. It isn't necessary for everyone to completely agree. It is important to discuss among themselves their differences and then come to some agreement on how to spend (and save) their money. But good decisions can't be made without good information.

An important aspect of money management is having the necessary information and records from which families can discuss their financial situation. Then from these discussions, informed financial decisions can be made.

You collect pieces of paper every day as records of past and future financial transactions. They are proofs of payment, promises to pay, and records of transactions. These pieces of paper (records) are necessary for tax purposes, proof of ownership of property, and for further financial planning. The problem is knowing which records to save, how long to save them, and where to save them.

Since we cannot predict the future, one person should not have sole responsibility for the records. Would a surviving husband or wife, the executors of your will, or your children be able to find all the records they would need to settle your estate? Therefore, every member of the family should be a part of the record keeping process.

Organizing your records is the first step toward making sense of your personal finances. Not only does it make things easier for your survivors, it also forces the family to notice all the holes in your financial planning, through which an awful lot of money can leak away.

Finally, it is important to keep good financial records for tax purposes. It is illegal to evade taxes, to pay less than what is actually owed to the government. But one should avoid paying more tax than is owed. This is best accomplished by keeping accurate records of income and deductible expenses from January through December. When either the bills are paid or the receipts are sorted and filed, the items needed at tax time should be filed separately.

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Some example of necessary tax records are:

**Income:**

- Pay stubs
- Interest or dividend payments
- Sale of stock or real estate

**Expenses:**

- Interest paid on loans
- Union dues
- Membership in professional organizations
- Other work related expenses

HOW LONG TO KEEP RECORDS

Papers that have to do with who you are and what you have done, should be kept permanently. These include birth certificates, marriage license, divorce papers, naturalization and adoption papers, diplomas, licenses, passports, Social Security card and armed forces records.

Keep life insurance policies as long as the policy is in force. Even though new health, auto, and property insurance policies are usually issued every year, keep old policies to prove coverage for claims. If there is a conflict with the insurance company, you want to be able to prove the amount and type of coverage at the time of the claim.

Receipts for all purchases don't have to be saved, except when they may be needed for proof of purchase to return or exchange goods. Warranties, receipts, and operating manuals should be kept for as long as the item is owned.

You need to keep records of all the houses you ever bought and sold, along with proof of the money spent for improvements. This information is needed for figuring the capital gains tax if the family home is sold and not replaced or if a less expensive home is purchased.

Receipts for tax purposes and income tax forms should be kept for six years. Most normal tax audits go back no more than three years, but the IRS can go back six years if fraud is suspected.

An up-to-date list should be kept of credit card companies, the card number, address and telephone number for notification if credit cards are lost or stolen. Note which cards are carried by family members.

WHERE TO KEEP YOUR RECORDS

Your financial records should be stored in three places, depending upon the type of record. There should be a place for current records near a desk or table where you work to pay bills. Next, there should be a place to keep permanent records that aren't used frequently. A box on a closet shelf or in a dry basement would be fine.

And finally, there should be a place to keep valuable papers that may be difficult or impossible to replace. The best secure location is a safe deposit box.

GETTING ORGANIZED

1. Organize With Files

The easiest way to keep track of your financial records is to set up a filing system. First, organize a workspace. This can be a table or desk that has space for storing current records. Current records can be filed in a box, expanding folder or filing cabinet. File boxes or single drawer files are available from office supply stores as well as many discount or department stores.

Used desks and files may also be found in garage sales or advertised in the newspaper. The equipment need not be fancy, just be sure it is adequate for your needs.

The work area should also have a good lamp and a wastebasket. Office supplies such as paper, tape, pens, and stapler are a necessity. A typewriter, telephone, and a calculator are also helpful in record keeping.

Next, set up your current and permanent files according to the listing on page 4. File papers under the categories suggested or in other ways that meet your needs.

## 2. Who Will Do It

Decide who will take major responsibility for record keeping in your family. Of course, all family members, including children old enough to understand, may want to know how the filing system works and how information can be found easily. Some of the record keeping tasks can be shared among family members. But, one person with the skills and interest to handle the job will want to take leadership and have overall responsibility for the system.

## 3. Scheduling

Develop a regular schedule for record keeping and try to stick to it. A routine will actually reduce the amount of time and work involved. Have family members deposit sales receipts, cash register tapes, credit card receipts, and other records of expenses in one place (box, drawer, or jar) until they can be filed or recorded. Set up regular times during the month to balance the checkbook, pay the bills, record income and expenses, and check the budget.

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For additional information on the topics covered in You and Your Money! The Money Manager Series!

\* Contact your local office of the Virginia Cooperative Extension Service.

\* Visit your local library.

\* Visit your local bank, savings and loan association, or credit union.

\* Attend free seminars by insurance companies or stock brokers to determine the services they can offer.

\* Refer to lesson 1, "Families and Money", for a list of magazines and books on money management.

This lesson is based in part on "Record Keeping" in the Money Mechanics, home-study course, prepared by Cynthia Needles Fletcher, family environment specialist and Jane Schuchardt, communication specialist, Cooperative Extension Service, Iowa State University, Ames, Iowa.

## ACTIVITIES

Depending upon how well your family and financial records are already organized, setting up a workspace, organizing a filing system, and getting used to the routine of keeping records may take time. So proceed carefully, one step at a time.

Give each family member, including the children, a part in setting up and operating the system. This will improve the chance for success as each person has a part in a family project. Communication about money is encouraged as ideas are contributed and discussed among family members.

1. Prepare a work area with a table or desk, files, and office supplies.

2. Set up a filing system for current and permanent files. Consider if a safe deposit box is needed. Organize this year's receipts, papers, cancelled checks, etc. in the files.

3. Be sure family members understand who will take care of which record keeping tasks, such as paying bills, budgeting, or filing.

4. After the basic filing system is set up, begin developing other financial records!

- a. Budget
- b. Inventory of all household goods
- c. Inventory of safe deposit box
- d. List of credit cards
- e. List of insurance policies
- f. Net Worth Statement

The following chart indicates which records to keep and where to keep them.

| TYPE OF RECORD   | LOCATION     |                |                  |
|--|--------------|----------------|------------------|
|  | CURRENT FILE | PERMANENT FILE | SAFE DEPOSIT BOX |
| Account books, record books  | *            | *              |                  |
| Addresses & phone numbers<br>for emergencies                                   | *            |                |                  |
| Auto (truck, motorcycle) title   |              |                | *                |
| Bank statements (current month)  | *            |                |                  |
| Bank statements (past months)  |              | *              |                  |
| Birth certificates   |              |                | *                |
| Budget (financial plan)  | *            |                |                  |
| Cancelled checks   |              | *              |                  |
| Certificates of deposit  |              |                | *                |
| Contracts, loans, etc.   |              | *              |                  |
| Employee benefits  | *            |                | *                |
| Employment record  |              | *              |                  |
| Household inventory  | *            |                | *                |
| Health records   |              | *              |                  |
| Insurance policies   |              |                |                  |
| Auto   | *            |                |                  |
| Health   | *            |                |                  |
| Life   | *            |                | *                |
| Property (homeowner's)   | *            |                | *                |
| Inventory of safe deposit box  | *            |                | *                |
| List of credit cards: name, number,<br>number to call if lost                  | *            |                | *                |
| List of insurance policies:<br>company names, policy<br>numbers, beneficiaries | *            |                | *                |
| List of financial records and<br>their location                                | *            |                | *                |
| Marriage & divorce records   |              |                | *                |
| Military discharge papers  |              |                | *                |
| Mortgage papers  |              |                | *                |
| Net worth statement  | *            |                |                  |
| Real estate papers (abstract, deed)  |              |                | *                |
| Receipts for major purchases   |              | *              |                  |
| Receipts for tax purposes  | *            | *              |                  |
| Savings passbook(s)  | *            |                |                  |
| School records of children   | *            | *              |                  |
| Stock certificates, bonds  |              |                | *                |
| Tax returns  |              | *              |                  |
| Unpaid bills   | *            |                |                  |
| Warranties of appliances   |              | *              |                  |
| Wills (original)   |              |                | *                |
| Wills (copy)   |              | *              |                  |

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NOTES

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NOTES

Please return by \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**CHECK YOUR DECISIONS ABOUT KEEPING RECORDS**

Please complete and return this form to your Extension Agent<sup>1</sup>. The next lesson will be sent to you.

Directions! As a result of completing this lesson, I/We plan to do the following. (Circle the appropriate response)

| <u>Yes</u> | <u>Maybe</u> | <u>No</u> | <u>Have Already Done This</u> |   |
|------------|--------------|-----------|-------------------------------|---|
| _____      | _____        | _____     | _____                         | 1. Set up a work area for paying bills and keeping records. |
| _____      | _____        | _____     | _____                         | 2. Set up a filing system.                                  |
| _____      | _____        | _____     | _____                         | 3. Involve all family members in money management.          |
| _____      | _____        | _____     | _____                         | 4. Keep records for preparing income tax forms.             |
| _____      | _____        | _____     | _____                         | 5. Prepare an inventory of household goods.                 |
| _____      | _____        | _____     | _____                         | 6. Prepare a list of credit cards.                          |
| _____      | _____        | _____     | _____                         | 7. Prepare a list of insurance policies.                    |

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<sup>1</sup>The name and address of your Extension Agent is:

COOPERATIVE EXTENSION SERVICE  
U.S. DEPARTMENT OF AGRICULTURE

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and State University  
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