

LD
5655
A762
no. 354-126
c. 2

Lesson Six

Managing Your MONEY

Publication 354-126

2000

Adapted by Constance Y. Kratzer and Amber Wilson *

Keeping Records In Order

Every family has accumulated papers and records that are important to them. But for many of us, getting those papers in order is like Mark Twain's old saying about the weather—"Everybody talks about it, but no one does anything about it." Is that how you feel about recordkeeping?

Take some time to answer these questions about your V.I.P. (Very Important Papers). Answer 'Yes' or 'No' to each of them.

- ___ 1. Can you instantly locate last year's income tax return?
- ___ 2. Do you know where your original Social Security card is?
- ___ 3. Do you have receipts and cancelled checks to document last year's tax return?
- ___ 4. Do you have the account numbers, addresses, and phone numbers of all the credit cards in your wallet written down somewhere?
- ___ 5. Could a non-family member locate important information about what to do in case of an emergency or in the event of your death?
- ___ 6. Do you know where to find the insurance policy for your car?
- ___ 7. Do you know where you keep the warranties for your home appliances?
- ___ 8. If your house and its contents burned, could you provide your insurance agent with an accurate list of all the household goods to settle your claim? How about proof of purchase for costly items?

If you answered "No" to two or more of these questions, it's time to make some changes in your recordkeeping habits NOW !!

Keeping records may not be enjoyable, but it is necessary. Having a good system for keeping important papers can save time, money, and effort. Other benefits provided by organized recordkeeping are:

- Makes it easier to find information on a day-to-day basis
- Provides security for hard to replace important documents
- Provides proof of any transactions
- Helps in handling various emergency situations
- Makes it easier for someone else to locate important papers
- Proves ownership in a lawsuit, inheritance or property fight
- Helps with property settlement in a divorce

Mastering Your Records

The best system for recordkeeping will vary from family to family. Certain decisions need to be made before setting up a system or improving an old one.

1. Decide on one place to keep all of your records. You need an organized system of some sort. Just tossing old receipts into a shoebox isn't enough.
2. Decide which family member will have the major responsibility for doing the recordkeeping. However, everyone in the

*Extension Specialist and Extension Associate, respectively; Management, Housing and Consumer Education, Virginia Tech



VIRGINIA POLYTECHNIC INSTITUTE
AND STATE UNIVERSITY

Virginia Cooperative Extension

Virginia Cooperative Extension programs and employment are open to all, regardless of race, color, religion, sex, age, veteran status, national origin, disability, or political affiliation. An equal opportunity/affirmative action employer. Issued in furtherance of Cooperative Extension work, Virginia Polytechnic Institute and State University, Virginia State University, and the U.S. Department of Agriculture cooperating. J. David Barrett, Director, Virginia Cooperative Extension, Virginia Tech, Blacksburg; Lorenza W. Lyons, Administrator, 1890 Extension Program, Virginia State, Petersburg.



VIRGINIA STATE UNIVERSITY

family needs to cooperate and understand how the system works. Spouses/Partners might switch places once a year to be sure both know just what is going on with the records.

3. Set a specific time to handle all of your bookkeeping and try to stick to it. If you establish a regular routine, it can cut down on the actual time you need to spend doing the recordkeeping.

Where To Keep Records

A Safe Deposit Box: There are some records and belongings which are costly and may be hard or even impossible to replace. Preferably, these should be kept in a safe deposit box at the bank. Another option might be a fireproof safe or filing cabinet in your home. (Unfortunately, few of these are truly fire- or theft-proof.)

Some of these important papers are: car titles, birth certificates, marriage certificate.

Current Records: You will need a temporary “keeping place” such as a cardboard box or file folders to keep receipts, paid bills, and notes of non-receipt cash payments such as gasoline. You may also want to write these sorts of things in a home account book or some other sort of record of household expenses.

Permanent Files: At the end of each year, clear out your current files. Tax time is usually the most convenient time to do this. Throw away items which are no longer of any value (for example, sales receipts for groceries). You should have already recorded them on your expense sheet or in the home account book.

Any important papers should be moved to your permanent filing system. As you look for items you need at tax time, throw out the things you no longer need. Transfer items you might need in the future to your permanent files. Items such as tax returns and bank statements are an example. For more information about documents to keep in your files, an extra fact sheet on this topic is included with this lesson.

Setting up a household filing system does take a bit of time. There is really no “right” or “wrong” way to do it. Every household has different situations it has to face. You may need to experiment a bit before you find the system which best fits your needs. Enclosed with this lesson are some tips from

the IRS on record keeping and one possible system you might start out with and then adapt to fit your family’s needs. You will also want to consider having:

1. **Active files:** includes records which are used at least yearly, or when the need to review occurs without much notice, such as checking the number on an insurance policy.
2. **“Dead” Storage:** usually includes those records which might have to be reviewed at some point in the future but are not normally needed in the course of the year (for example, income and tax records from five years ago).

Where Are Your Valuable Papers ?

We have been discussing the importance of keeping complete records in this lesson. Could you or your family members now locate valuable records and papers for review? How about in the case of an emergency? Are those papers safe? If they were lost, stolen or burned, would you be able to replace them?

Your local Virginia Cooperative Extension office has a publication called “Financial Record Book.” This will help you to create a list of all your valuable papers and their location. It will be very useful to you and your family members if papers are lost or destroyed.

You should make duplicate copies of the list when completed. Keep it in a safe deposit box or give it to a friend or relative away from your place of residence. Be sure you update it when needed and replace the original with new information.

Another good idea is to take inventory of your personal property. Such records would be helpful if you needed to file an insurance claim. It is recommended that you check with your insurance agent or broker for company requirements of proof of purchase and /or ownership of personal property items. In some cases, receipted bills or sales slips are required; in other cases, a written inventory and /or photographs are adequate documentation. For those of you who have access to a camcorder, making a videotape of your home and valuable contents, as well as hanging on to receipts, is a great idea. No matter how you choose to do this, the task may be a little easier if you tackle it a little at a time, for instance, take inventory of one room at a time.

Organizing all of these documents, receipts, warranties and other records may seem like a real chore to you right now. It will take some time to

gather everything together. But just think how much easier it will be to do it at a leisurely pace now, instead of in a panic in a future emergency.

There may come a time when other family members will need to manage things for you. Having all the necessary papers available for them will be a great help and will avoid a lot of potential problems.

Take the time right now to help yourself, your family and others by taking charge and getting all of your V.I.P. in order. You'll be glad you did! And, you will certainly feel a sense of accomplishment when the job is completed.

For more help, please feel free to contact your local Virginia Cooperative Extension office and request a copy of the following publications or visit one of our websites at: <http://www.ext.vt.edu> or <http://www.ext.vt.edu/money2000/index.html>

- Financial Record Book (VCE Publication 354-153)
- Families Taking Charge: Taking Inventory (VCE Publication 354-099)

[Adapted with permission from Managing Your Money by Eleanor Ames, Ohio State University Extension]

This material is intended for educational purposes. It is provided with the understanding that the publisher is not engaged in rendering legal, accounting, or investment advice or services. If legal advice or other expert financial assistance is required, the services of a competent professional should be sought.

Congratulations! You've reached the end of your study at home course. We hope that this course has been very beneficial to you. Please take time to complete the evaluation form. The purpose of the evaluation is to help us improve the course so that we can better meet the participants' needs. We welcome your suggestions and comments. All of the information that you provide will remain confidential. Thank you for your participation and cooperation.

The End!

Sample Household Filing System

The purpose of this sample household filing system is to give you a guide to categories you can establish and the types of information that could be contained in your filing system.

Addresses/Dates

- Business
- Personal
- Christmas Card List
- Magazine Subscriptions

Auto & Vehicles

- Titles
- Maintenance & Repair
- R.V.'s
- Boats

Bank Records

- Checking Accounts
- Savings Accounts
- Loan Contracts
- Safe Deposit Box-List of Contents

Employment Records

- Contracts
- Retirement Plans
- Pensions
- Social Security Records
- Fringe Benefits

Equipment & Appliances

- Warranties
- Use & Care Manuals

Financial Records

- Budget
- Net Worth Statement
- Records of Earnings
- Records of Expenditures
- Loan Contracts
- Credit Card Numbers
- Property Tax Records
- Receipts & Paid Bills

Housing

- Mortgage Payments
- Lease & Rent Payments

- Capital Improvements

- Household

- Inventory-keep second copy in safe deposit box

- Utilities Floor Plan

- Wiring Diagram

Income Tax

- Previous Returns
- Canceled Checks (related to taxes)
- Current Year Information-such as medical receipts

Insurance Policies

- Automobile
- Health & Life
- Disability
- Homeowners

Investments

- Annuities
- Bonds-Records of
- Stocks-Records of
- Real Estate Investments
- Other Investments

Organizations/Clubs

- Civic Business School Church

Personal Records

- Educational Records
- Marriage License
- Medical Records
- Pet Papers
- Military Records
- Wills (copy of)
- Birth Certificates
- Divorce Papers

Reference Materials

- Cleaning
- Crafts & Hobbies
- Other

Recordkeeping Tips From the IRS

Looking for ways to make tax-time easier this year? Start with your recordkeeping. You're not required to keep your records in a particular way. Simply keep them in a manner that allows you and the IRS to determine your correct tax. Here are some pointers:

Use your checkbook to track your income and expenses. Your checkbook register should show amounts, sources of deposits, and types of expenses.

Hold on to receipts and sales slips that can help prove a deduction.

Keep your records in an orderly fashion. Organize them by year and type of income or expense. Some people prefer to keep all records related to a particular item (e.g., a house) in a designated envelope.

Store your records in a safe place. (Editor's note: If you don't have a fireproof safe or a safe-deposit box, a locked cabinet in your home may be the next best storage place.)

Basic Records

The table shown here lists the most common records you should keep. These documents will help prove your income and expenses.

To order IRS forms, call (800) TAX-FORM, or (800) 829-3676. You can also visit the IRS on the Internet (www.irs.ustreas.gov).

Source: IRS Publication 552, *Recordkeeping for Individuals*

FOR ITEMS CONCERNING YOUR...

KEEP AS BASIC RECORDS...

INCOME

- Form(s) W-2
- Form(s) 1099
- Bank statements Brokerage statements
 - Form(s) K-1 Business income records (if self-employed)

EXPENSES

- Sales slips
- Invoices
- Receipts Canceled checks or other proof of payment

HOME

- Closing statements
- Purchase & sales invoices for home improvements
 - Proof of payment
 - Insurance records
- Form 2119 (if you previously sold a home)

INVESTMENTS

- Brokerage statements
- Mutual fund statements Form(s) 1099
 - Form(s) 2439 ("Undistributed Long-Term Capital Gains")

How Long Should You Hold On to Your Financial Records?

Each year after tax returns are completed, the question of what needs to be saved comes up. Many of the previous year's paperwork does not have to be saved for tax purposes. So unless you are keeping it for other reasons, such as a spending history of your household, some things can be thrown away. The things to be sure to save are the following.

Individual tax returns and supporting tax records: Indefinitely, if you want to be extra cautious. For a standard audit, the IRS can ask to see records up to three years old. If you're suspected of under reporting your income, however, the IRS can go back six years. And if you're suspected of fraud or failure to pay, they can go back indefinitely.

Housing records: For as long as you own your home, plus at least three years for tax records (this applies to deeds, title papers, mortgages, home improvement receipts and tax forms related to sale or exchange of principal residence).

Mutual fund year end statements: As long as you own the asset or need the statements for tax records. Get rid of monthly statements if all activity is shown on year end statements.

Paycheck stubs: Keep year end statements for your tax records.

Canceled checks and credit card statements: One year, unless it pertains to taxes or major purchases you still own.

Bank statements: One year (hold on to anything that applies to your tax records).

For additional guidance in this area, talk to your accountant or to your financial planner.