

# Creating a Financially Organized Life

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**Steven E. Richardson, CFP®, CRPS®**

**Vice President**

**Potomac Financial Private Client Group, LLC**

6723 Whittier Avenue, Suite 305

McLean, VA 22101

703-891-9960

steve@potomacfinancialpcg.com

www.potomacfinancialpcg.com

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**By Elaine Floyd, CFP® and Amy E. Buttell**

## **Here's how to get a jump-start on creating a system to organize your bills, statements, policies, and other financial paperwork.**

Financial organization is a cornerstone of a healthy financial life. At the most basic level, financial organization saves time and money because it aids in paying bills on time, being able to find needed documents during tax season, providing proof of payment, disputing credit cards or billing errors, and avoiding the stress of dealing with piles of unorganized bills and paperwork.

It also sets the stage for better financial decisions surrounding investments, budgeting, debt, and investment planning. Financial organization helps your working relationship with your financial advisor, because there will be less time spent looking for paperwork and more clarity around the overall financial situation, leading to more informed decisions about your investments and financial plans.

While having a system to organize financial paperwork is important, it is not so important which system is followed but that a system exists. In most cases, a combination of electronic and paper filing systems will do the trick.

Bills, statements, policies, and other documents that are delivered online can be stored and backed up on a computer hard drive or through online banking websites, third party bill pay, and website document storage platforms. Some websites offer budgeting and spending information and advice. Some of these sites – as well as online bank websites – allow you to set alerts for when bills are due and when bills are paid to help ensure timely payment.

For couples, clearly establishing responsibilities for financial matters is an important priority. If one spouse manages the finances, the other spouse should be informed about what is going on financially, where important documents are stored, and the passwords for all online accounts.

What documents to keep and what to toss is another important part of becoming better organized. The IRS recommends retaining tax returns and any documents that support tax returns for seven years. Other documents such as paper bank statements, investment account statements, and credit card statements can be shredded after a year, especially if they can be accessed online in the future if necessary.

Whatever documents are stored on your computer should be backed up in the event of a computer crash. Some of the online document storage platforms allow organization in a digital filing cabinet, making it easy to find documents on the go. These online systems are also very useful in the event of a natural disaster such as super storm Sandy – many people with flooded homes lost their paper documents.

Financial paperwork generally falls into the following categories: investments, taxes, credit cards and loans, college savings, retirement savings, insurance, and estate planning. Let's take a look at what documents you need to keep on hand in these areas.

# Document Checklist

## Income tax planning

Tax planning is a forward-looking process that identifies strategies designed to reduce future income taxes. Note that income tax planning is not the same as income tax preparation, which focuses on documents required by the IRS. For income tax preparation, you will need to consult with your tax advisor.

A variety of documents are required to prepare taxes and assess your tax situation. Keeping proper tax records is extremely important for IRS, accounting, and investment purposes. Tax documents that should be safely stored and easily accessed include:

- Tax returns for the last 3 years
- Retirement plan information showing the amount you are eligible to contribute
- Paycheck stubs or statements showing regular income as well as unusual taxable distributions that may change your tax picture this year
- Statements showing major deductions, such as mortgage interest and property taxes
- Statements or other documentation showing the cost basis and current value of assets owned outside retirement accounts
- Information on charitable contributions

## Investment planning

These are common investor accounts which you may or may not have. Keep policies, statements, and other important paperwork for these accounts accessible to help you and your advisor develop an investment strategy.

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|--|--|---|
| <input type="checkbox"/> Checking accounts       | <input type="checkbox"/> Annuities                     | <input type="checkbox"/> Stocks                                 |
| <input type="checkbox"/> Savings accounts        | <input type="checkbox"/> Life insurance                | <input type="checkbox"/> Bonds                                  |
| <input type="checkbox"/> Money market accounts   | <input type="checkbox"/> cash value                    | <input type="checkbox"/> Real estate                            |
| <input type="checkbox"/> Certificates of deposit | <input type="checkbox"/> IRAs                          | <input type="checkbox"/> Precious metals and other collectibles |
| <input type="checkbox"/> Brokerage accounts      | <input type="checkbox"/> Retirement plans              | <input type="checkbox"/> Business interests & other investments |
| <input type="checkbox"/> Mutual funds            | <input type="checkbox"/> Employee stock purchase plans |   |
|  | <input type="checkbox"/> Stock options                 |   |

## Credit and debt planning

Debt is often a significant part of an overall financial picture. Statements for loans will help get a handle on your level of debt, interest rate of that debt, and loan terms on these kinds of revolving and installment credit debt.

- |                                       |   |
|---------------------------------------|---|
| <input type="checkbox"/> Credit cards | <input type="checkbox"/> Student loans  |
| <input type="checkbox"/> Mortgages    | <input type="checkbox"/> Business loans |
| <input type="checkbox"/> Auto loans   | <input type="checkbox"/> Personal loans |

## College planning

College planning is vital for parents. There are many types of college savings vehicles, so be sure to keep track of all the account with funds saved by parents, grandparents, aunts, uncles, and other relatives. To stay on top of balances and track savings, these statements are useful:

- Statements of accounts earmarked for college (529 plans, Coverdell accounts, UGMA/UTMA accounts, accounts in parents' names earmarked for college)
- Completed FAFSA (Free Application for Federal Student Aid) for students already enrolled or preparing to enroll in college
- Other documentation relating to student loans

## Retirement planning

Retirement is the largest financial goal for most investors. As such, it's very important to keep track of all retirement accounts, including 401(k)s from current and previous jobs, traditional and Roth IRAs, and other accounts such as 457 plans.

- Account statements and summary plan descriptions for all employer-sponsored retirement plans
- IRA account statements
- Social Security Personal Earnings and Benefits Estimate Statement (PEBES)
- Account statements for all assets (see list under Investment Planning)
- A budget showing expected living expenses in retirement
- Employee benefits information on health and retirement benefits
- Veteran's administration record

## Insurance planning Retirement planning

Risk management is another vital aspect of your financial life. This includes life, auto, disability, health, and other coverage you may need as well as current or future Social Security benefits. To manage and periodically re-evaluate coverage levels, deductibles, and premiums, retain these documents including employer-sponsored insurance.

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|--|---|
| <input type="checkbox"/> Life insurance                    | <input type="checkbox"/> General liability (umbrella policy)  |
| <input type="checkbox"/> Disability insurance              | <input type="checkbox"/> Professional liability   |
| <input type="checkbox"/> Health insurance                  | <input type="checkbox"/> Long-term care   |
| <input type="checkbox"/> Homeowner's or renter's insurance | <input type="checkbox"/> Social Security Personal Earnings and Benefits Estimate Statement (PEBES) showing survivor and disability benefits |
| <input type="checkbox"/> Automobile insurance              |   |

Estate planning		
<p>There are two key aspects to estate planning: wealth transfer (ensuring that assets are transferred to the right people) and estate tax savings. Planning for and monitoring your estate requires maintaining these records, including:</p>	<input type="checkbox"/> A copy of your latest will and letter of instructions <input type="checkbox"/> Index of all assets (see list under Investment Planning, but also includes real estate, collectibles, business interests, etc.) <input type="checkbox"/> Trust documents <input type="checkbox"/> Advance directives <input type="checkbox"/> Power of attorney for health care	<input type="checkbox"/> Power of attorney for financial matters <input type="checkbox"/> Prenuptial agreements <input type="checkbox"/> Beneficiary designations for IRAs, life insurance, annuities, employer-sponsored retirement plans <input type="checkbox"/> Statements or deeds of trust showing how assets are titled <input type="checkbox"/> Pet care
Miscellaneous documents		
<p>There are also many other important documents that fall into a catch-all miscellaneous documents category. These include everything from a Social Security card to military service records to adoption and divorce paperwork. Keep the list current by adding new documents as appropriate.</p>	<input type="checkbox"/> Birth, death, and marriage certificates <input type="checkbox"/> Social Security card <input type="checkbox"/> Passport <input type="checkbox"/> Vaccination records <input type="checkbox"/> Military service records <input type="checkbox"/> Deeds and titles to all real estate, autos, and other hard assets <input type="checkbox"/> Adoption papers	<input type="checkbox"/> Divorce papers <input type="checkbox"/> Prenuptial agreement <input type="checkbox"/> Religious ceremonies such as baptism, confirmation, ordination, marriage, annulment paperwork <input type="checkbox"/> Jewelry appraisal list for all items valued at more than \$500

**Make an “Advisor List”**

From employers to bankers to insurance agents, most of us have a large and constantly changing list of trusted advisors. It’s important to update this at least once a year as this information usually changes frequently. In the event of an emergency or bereavement, family members need to know who to contact for important information about insurance policies, account balances, etc.

<b>1. Household Employers</b> (including immediate supervisor, HR manager, etc...):
Contact Name & Contact Info:
<b>2. Banks, bankers &amp; account numbers</b> (includes primary accounts, money market accounts and safety deposit boxes):
Banker’s Name and Account #:
<b>3. Investment advisors</b> (include all investment advisors, trustees, etc.):
Advisor’s Name and Account #:
<b>4. Accounting advisors</b> (includes CPAs, accountants, bookkeepers, enrolled agents, and bill pay or any other accounting services):
Accountant/CPAs Name and Account #:
<b>5. Credit advisors</b> (includes mortgage brokers, credit counselors, bank loan officers and others):
Broker/Counselor Name and Account #:
<b>6. Insurance advisors</b> (includes life, car, home, disability and other insurance agents and advisors...):
Advisor/Agent Name and Account #:
<b>7. Estate Planning</b> (include estate planner, trust services, and executor):
Estate Planning Advisor and Account #:
<b>8. Attorneys</b> (including estate planning, divorce & prenuptial, business, rental & commercial property, intellectual property, & taxes)
Attorney/Other Name and Account #:
<b>9. Other family service providers</b> (including financial aid counselor, retirement coach and life or career coach)
Counselor Name and Account #:
<b>10. Health care providers</b> (including primary care doctors, specialists such as cardiologists, gynecologists, psychiatrists, oncologists, and therapists)
Provider Name and Account #:

## Key Passwords/PINs

Make a list of all the password and personal identification numbers (PINs) that are important to your financial affairs.

Keep it with your important financial documents and update it once a year.

Account	Website Address	Password
Computer #1		
Computer #2		
Tablet		
Smart Phone		
Checking Account #1		
Checking Account #2		
Business Account		
Mortgage		
Car Loan		
Home Equity Line		
Other Loan		
Savings Account		
Money Market Account		
Brokerage Account		
IRA Account		
401(k) Account		
E-mail #1		
E-mail #2		

*Elaine Floyd, CFP®*, is the Director of Retirement and Life Planning at Horseshmouth, where she focuses on helping people understand the practical and technical aspects of retirement income planning. Horseshmouth is an independent organization providing unique, unbiased insight into the most critical issues facing financial advisors and their clients. Horseshmouth was founded in 1996 and is located in New York City.

*Amy E. Buttell is an Erie, PA based freelancer writer. Her articles have appeared in leading publications including The Journal of Financial Planning, The Investment Professional, AARP: The Magazine and Consumer's Digest.*

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