

## Business Issues

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### Financial Housekeeping: A Roadmap for the Checkbook-Challenged

Part of my job as a financial planner is providing practical advice to help people organize their financial lives. It never ceases to amaze me when new clients, business owners in particular, begin the first meeting by apologizing for the monetary mess in their lives. They think that they are the only humans who have not balanced their checkbooks in the past year – or (blush!) have no idea how much they need for retirement.



**ALERT: YOU ARE NOT ALONE.** In fact, if you don't at THIS VERY MINUTE possess a perfectly-groomed personal financial statement, updated will, and a balanced budget, you are in the **majority!** Please don't be intimidated to walk into an appointment with a pile of papers you can't decipher. We planners live for these challenges – besides, it's nice to feel needed, and your secrets are our secrets!

There is a lot of benefit to knowing where things stand, however. Although I recommend you use a pro for the more complicated details – such as writing a financial plan – you don't need a fancy degree to take control of your finances. I can't pack 30 years' worth of advice into this column, but these tips should help you get started.

- ✓ **Organize Your Records:** Create a Financial Notebook as an all-in-one record of anything financial. It goes without saying that it should be kept in a *locked* fireproof safe, bank deposit box, or other secure location. Your notebook (or hanging file) should contain sections for:
  1. All insurance (life/property/disability/health/long-term care)
  2. Your will and any trust documents
  3. Important contacts (doctors, attorney, anyone with a Power of Attorney, guardian appointments, CPA, financial advisor, etc.)
  4. Income tax returns for at least three years
  5. Investments including real property (along with any deeds). You'll need information on the cost of each investment, date purchased, and any important subsequent details.
  6. Bank statements with bank reconciliations: keep one year of information here. See point 2 under **Organize for the IRS** for older records.
  7. All loan documents – mortgage, auto, lines of credit, credit cards, etc.
  8. Other permanent records – divorce papers, including alimony and child support arrangements, proof of citizenship, savings bonds, vehicle titles, Powers of Attorney, prenuptial agreements, etc.
  9. A record of each credit card company with which you do business along with card and phone numbers. If your wallet/purse is stolen, you can quickly call and cancel everything!
- ✓ **Organize Your Record-Keeping:** It's not as difficult as you think, especially since you **don't** have to save it all! Here's a checklist:
  1. Income Tax returns – Your CPA is *required* to keep a copy at his/her office. Find out which of your documents they also keep on file and if they are "paperless". They might be able to burn a CD of all the paperwork. But – be sure you have a copy of everything if you move away or change CPAs.
  2. Investment statements – Review your monthly statements to follow what's going on, but don't keep. Retain your Year-End Summary, which should summarize all of your annual transactions.
  3. Finally, be sure to shred any documents with your name, social security number, bank account info, etc. on them. This includes any and all credit offers you receive in the mail!
- ✓ **Organize Your Expenditures:**

1. If you don't yet bank online, consider doing so. It can be extremely helpful in developing a personal budget and it's much less complicated than you may think.
  2. Get into the habit of reconciling your bank account(s)! My experience is that one partner in each couple is usually much better at tracking the bank account – if that is not you, hand it off to your partner. But – if you *are* the designated record keeper, make sure that your partner knows how to take over.
  3. Another good habit? Enter your debit card withdrawals into your checkbook immediately.
  4. Finally, keep a folder for all credit card purchase receipts. Match receipts to your statement each month before paying and **never** assume the statement is correct, especially if you shop online, eat out, etc. As someone who has found unapproved “test” charges, please TRUST ME on this!
- ✓ **Organize for the IRS:**
1. We counsel clients to keep a folder for all deductible expenditures. Better yet, keep several folders organized for income and deductions and sort out your ‘main’ folder a couple of times a year. At a minimum, the following would be useful:
    - Income (W2s, 1099s, rental property receipts, property sales, security sales along with related basis information)
    - Charitable contributions (check, cash, non-cash receipts from Goodwill, etc.)
    - Tax receipts (real estate, vehicle and other property)
    - Interest expense (mortgage, investment)
    - Medical expensesAn added benefit – you might save on tax preparation costs! The categories you use will depend upon your specific situation, of course.
  2. The length of time you keep old paperwork – including bank records – varies. Some documents, such as deeds, cost basis statements, and paperwork recording property settlements resulting from divorce should be kept indefinitely. Others can be shredded in three to seven years. **If you'd like a helpful (free) brochure and checklist, contact Michelle in our office at 270/247.6087.**
  3. My final piece of advice: it's better to be prepared than to be creative in the event of an audit!

Do you have additional suggestions? I'd love for you to email them to me for use in future columns at [jft@milestonesfp.com](mailto:jft@milestonesfp.com). Next month – look for our (almost) world-renowned year-end tax tips!

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