

Creating a Financially Organized Life

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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

Investment planning

While you may not have all of these different kinds of accounts or investments, these are the kinds of accounts that many investors do have. Having the policies, statements, and other important paperwork of these accounts organized and accessible helps you and your financial advisor plan an investment strategy and properly diversify those assets according to your risk tolerance, time horizon, financial goals, and other objectives. They are a good place to start when organizing your financial records and paperwork.

- Checking accounts
- Savings accounts
- Money market accounts
- Certificates of deposit
- Brokerage accounts
- Mutual funds
- Annuities
- Life insurance cash value
- IRAs
- Retirement plans
- Employee stock purchase plans
- Stock options
- Stocks
- Bonds

- Real estate
- Precious metals and other collectibles
- Business interests and other investments

Income tax planning

Tax planning is a forward-looking process that identifies strategies designed to reduce future income taxes. These may include tax-loss harvesting, investing in tax-advantaged vehicles, identifying tax deductions that may have been overlooked, or creating tax deductions such as setting up a qualified retirement plan. 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:

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

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. The following documents should be filed and stored for periodic review:

- Credit cards
- Mortgages
- Auto loans
- Student loans
- Business loans
- Personal loans

It's a good idea to obtain a copy of your credit report, which you can get for free once a year. While credit scores aren't free, websites such as MyFico occasionally offer promotions that provide access to credit scores in exchange for a credit monitoring service, which can be cancelled before charges are incurred.

College planning

College planning is vital for parents. It is also something that many grandparents wish to assist with. 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 progress, these statements and records 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. These documents are vital for staying on top of savings and investment goals:

- 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

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:

- Insurance policies and current policy statements for the following (including employer-sponsored insurance):
 - Life insurance
 - Disability insurance
 - Health insurance
 - Homeowner's or renter's insurance
 - Automobile insurance
 - General liability (umbrella policy)
 - Professional liability
 - Long-term care
- Social Security Personal Earnings and Benefits Estimate Statement (PEBES) showing survivor and disability benefits

Estate planning

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:

- A copy of your latest will and letter of instructions
- Index of all assets (see list under Investment Planning, but also includes real estate, collectibles, business interests, etc.)

- Trust documents
- Advance directives
- Power of attorney for health care
- Power of attorney for financial matters
- Beneficiary designations for IRAs, life insurance, annuities, employer-sponsored retirement plans
- Prenuptial agreements
- Statements or deeds of trust showing how assets are titled
- Pet care

- Vaccination records
- Military service records
- Deeds and titles to all real estate, autos, and other hard assets
- Adoption papers
- Divorce papers
- Prenuptial agreement
- Religious ceremonies such as baptism, confirmation, ordination, marriage, annulment paperwork
- Jewelry appraisal list for all items valued at more than \$500

Miscellaneous documents

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.

- Birth, death, and marriage certificates
- Social Security card
- Passport

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.

1. Employers (including immediate supervisor, HR manager, etc...):
Family Member
Contact Name & Title
Contact Info
2. Banks, bankers & account numbers (includes primary accounts, money market accounts and safety deposit boxes):
Family Member
Banker’s Name
Account #
3. Investment advisors (include all investment advisors, trustees, etc.):
Family Member
Advisor’s Name
Account #
4. Accounting advisors (includes CPAs, accountants, bookkeepers, enrolled agents, and bill pay or any other accounting services):

Family Member
Accountant/CPAs Name
Account #
5. Credit advisors (includes mortgage brokers, credit counselors, bank loan officers and others):
Family Member
Broker/Counselor Name
Account #
6. Insurance advisors (includes life, car, home, disability and other insurance agents and advisors...):
Family Member
Advisor/Agent Name
Account #
7. Estate Planning (include estate planner, trust services, and executor):
Family Member
Estate Planning Advisor
Account #
8. Attorneys (including estate planning, divorce and prenuptial, business, rental and commercial property, intellectual property, and taxes)
Family Member
Attorney/Other Name
Account #
9. Other family service providers (including financial aid counselor, retirement coach and life or career coach)
Family Member
Counselor Name
Account #
10. Health care providers (including primary care doctors, specialists such as cardiologists, gynecologists, psychiatrists, oncologists, and therapists)
Family Member
Provider Name
Account #

Key Passwords/PINs

Online accounts are becoming a perplexing legacy issue for family members and financial advisors. Many bereaved family members are struggling with gaining access to online accounts, especially as many brokerage, checking accounts and retirement accounts have converted to online access. Without passwords, family members can't

access statements and account numbers and may have trouble obtaining this information and letting online friends know about a passing.

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	Family Member	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			
Facebook			
Twitter			
LinkedIn			
Pinterest			
Other Social Media			

A final word

Financial organization is an important part of the financial roadmap. A solid filing and organizational system will save hours of time that would be otherwise spent hunting for statements, bills, or policies. By setting aside time on a regular basis to maintain an online and paper-based organizational system, you'll be better informed about your finances and be in a better position to work with all of your financial advisors.

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