



Managing Money

Where to Keep Records

Managing Money: Where to Keep Records

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A safe deposit box

There are some records and belongings that 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 fireproof or theft-proof. Some of these important papers are car titles, birth certificates and marriage certificates.

Current records

You will need a temporary keeping place, such as a cardboard box or set of file folders, to keep receipts, paid bills and notes of non-receipt cash payments, such as gasoline. You also may want to write these types 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 usually is the most convenient time to do this. Throw away items that are no longer of any value such as sales receipts for groceries. You already should have 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 and how long you should keep them, consult the Record-Keeping Tips from the IRS Work Sheet and Keeping Financial Records Work Sheet.

Setting up a household filing system does take some time. There really is no right or wrong way to do it. Every household is different. You may need to experiment a bit before you find the system that best fits your needs.

The Household Filing System Work Sheet suggests a possible system you might start with and then adapt to fit your family's needs. You also will want to consider having:

- Active files for records that are used at least yearly or that may need to be reviewed without much notice. For example: checking the number on an insurance policy.
- Dead storage, which usually includes records that might have to be reviewed at some point in the future but are not normally needed in the course of the year, such as income and tax records from five years ago.

Where Are Your Valuable Papers?

It is important to keep complete records. You also want to be certain that you or your family members can locate valuable records and papers. Also think about emergencies. Are those papers safe? If they were lost, stolen or burned, would you be able to replace them?

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Make a list of the location of your important papers. 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 it's complete. 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 something changes and replace the original with new information.

Another good idea is to take inventory of your personal property. Such records could be helpful in the event that you would need 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. If you have access to a camcorder, make a videotape of your home and valuable contents. No matter how you choose to make your inventory, 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. It will take some time to gather everything together. But just think how much easier it will be to do at a leisurely pace now, instead of in a panic in an emergency situation. 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 very important papers in order. You'll be glad you did. And, you will certainly feel a sense of accomplishment when the job is complete.

References

Kratzer, C. (2004) Managing your money: Keeping records in order. Cir. 596. New Mexico Cooperative Extension. Las Cruces, NM.

Record-keeping Tips From the IRS Work Sheet

Looking for ways to make tax-time easier this year? Start with your record keeping. 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 (a house) in a designated envelope.

Store your records in a safe place. 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, Record-keeping 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")

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Keeping Financial Records Work Sheet

The question of what needs to be saved comes up each year after tax returns are completed. Much of the paperwork from previous years 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. Be sure to save the following:

Individual tax returns and supporting tax records: Save 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 underreporting 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 financial planner.

*This resource is one in a series on **Managing Money** which include:*

Making your Money Work:

Determining What Is Important to You
Where Are You Now? (Net Worth Statement)
Stop Spending Leaks
Developing a Spending Plan

Using Credit:

What Is Credit and How Much Credit Can I Afford?
Types of Credit: What Are Your Choices?
Credit Cards
Credit Reports

Building Savings:

Ways to Save
How Your Money Can Grow
Where to Save
Investment Options

Selecting Financial Institutions:

Selecting a Financial Institution
Checking Accounts
Savings Accounts

Creating a Record System:

Keeping Records in Order
Where to Keep Records

Determining Readiness:

Financial Readiness
Benefits and Challenges

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