

INTRODUCTION

Every family has an accumulation of important papers and records. For many of us, getting those papers in order can be compared to 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 very important papers. Answer “yes” or “no” to each.

- _____ 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 written down somewhere the account numbers, addresses, and phone numbers of all the credit cards in your wallet?
- _____ 5. Could a nonfamily 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? What 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 record-keeping habits. 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 of organized recordkeeping are as follows.

- Makes it easier to find information on a day-to-day basis.
- Provides security for hard-to-replace important documents.
- Provides easy access to proof of transactions.
- Helps in various emergency situations.
- Makes it easier for someone else to locate important papers.
- Proves ownership in lawsuits or in inheritance or property struggles.
- Helps with property settlement in a divorce.

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MASTERING YOUR RECORDS

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

1. Decide on one designated place to keep all of your records. You need an organized system—just tossing old receipts into a shoe box isn't enough. Excellent record management is more than keeping all the important records; it also includes being able to find them easily when you need them.
2. Decide which family member will have the major responsibility of recordkeeping. However, everyone in the family needs to cooperate and understand how the system works. Spouses/partners might want to switch places once a year to ensure that both know how the recordkeeping system works.
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 spent on recordkeeping.

Where To Keep Records

Depending on how often and easily you'll need to access your important documents, store them in one of the following places.

- Safe deposit box (or home safe)
- Cardboard box or file folders
- Wallet or purse
- E-storage

There are some records and belongings that are costly and may be hard or even impossible to replace. These should be kept in a **safe deposit box** at the bank if possible. Another option might be a fireproof safe or filing cabinet in your home. (Unfortunately, few of these are truly fireproof or theft-proof.) Examples of some of these important papers are car titles, birth certificates, and marriage certificates.

Current Records

You will need a temporary storage place, such as a **cardboard box** or **file folders**, to keep receipts, paid bills, and notes of non-receipt cash payments for items such as gasoline. You may also want to write these types of items in a home account book or some other sort of household expense record.

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 that are no longer of any value (e.g., sales receipts for groceries). You should have already recorded them on your expense sheet or in the home

account book. Be sure to shred or otherwise destroy any records you are throwing out.

Permanent Files

After cleaning out your current files, 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. Examples of these items are tax returns and bank statements. For more information about which documents to keep in your files and how long you should keep them, consult Fact Sheets 1 and 2.

Hyperactive vs. Active vs. Dead Storage

The decision to keep files under current records or permanent files should be based on active file vs. dead storage status.

- **Hyperactive files** include receipts for goods and services that may require refunds in case they do not work as expected. Some receipts, such as grocery receipts and small cash items, can be thrown away as soon as you are sure that the goods do not need to be returned (i.e., they work fine, taste fine) and you have recorded them in your monthly expense ledger. These receipts could be kept anywhere from a few days to a month in an envelope or shoe box in the kitchen area.
- **Active files** include records used at least once a year or that may need to be reviewed without much notice, such as an insurance policy that may need to be checked. Examples of documents that should be stored in active files include unpaid bills, receipts (for big-ticket, under warranty, and returnable items), health-related receipts for health spending accounts, and documents related to income tax.
- **Dead storage** includes records that might need to be reviewed in the future but are not usually needed in the course of a year, such as income and tax records from five years ago. Examples of documents in dead storage include employment records, credit card information, insurance policies, copies of wills, family health records, Social Security cards, birth certificates, and education papers.

In your **wallet** or **purse**, you need to keep documents that you regularly access or need in case of an emergency, such as

 - Driver's license,
 - Other personal identification (e.g., university/employment ID),
 - Credit cards you use often, and
 - Health insurance cards.

Information Backup

Consider creating and storing **backups** for all your important documents. This may also apply to online bank statements, investment-related papers, online utility bill receipts, and online transaction receipts. You may be tempted to just save online documents in your e-mail, but the best practice is to have them saved in a more secure location. An option for storing backup documents like CDs, thumb or USB drives, and external hard drives is in a safe deposit box. You can also use reliable online storage services such as Carbonite, IDrive, Mi-Media, SOS, and CrashPlan.

Setting up a household filing system does take a bit of time. There really is no right or wrong way to do it. Every household has a different situation. You may need to experiment a bit before you find the system that best fits your needs. Sample 1 offers one system you might start with and adapt to fit your family's needs.

Where Are Your Valuable Papers?

We have been discussing the importance of keeping complete records. Could you or your family members locate your valuable records and papers? What 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? Make a list of the location of your important papers. It will be very useful if papers are lost or destroyed. You should make duplicate copies of the list. Keep one copy in a safe deposit box and give other copies to friends or relatives who are away from your place of residence. Be sure you update your list when something changes and replace the original lists with the new, updated list.

Another good idea is to take inventory of your personal property. Such records could be helpful if you need to file an insurance claim. 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 list, the task may be easier if you tackle it a little at a time. For instance, take inventory of one room at a time.

CONCLUSION

Organizing all of these documents, receipts, warranties, and other records may seem like a real chore. It will take some time to gather everything, but it will be easier to do it now at a leisurely pace instead of in a panic in an emergency. There may come a time in your life when other family members will need to manage things for you. The organization and availability of necessary papers will be a great help to them and will help 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 important papers in order. You'll be glad you did. You will feel a sense of accomplishment when the job is complete.

For additional information, see Guide G-228, *What Records Should You Keep?* (http://aces.nmsu.edu/pubs/_g/g-228.pdf).

Excel spreadsheet versions of some of these worksheets are available at http://aces.nmsu.edu/pubs/_g/#circ.

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Fact Sheet 1

Recordkeeping Tips from the IRS

Looking for ways to make your tax preparation easier this year? Start with 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 information. 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 that are 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

Table 1 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 also can visit the IRS website at www.irs.gov.

Table 1. Common Records to Keep for Tax Purposes

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 and 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)
Educational Expenses	Form 1098-T (Tuition Statement) • Receipts for tuition and fees; room and board; books, supplies, and equipment; and other necessary expenses (such as transportation).

Source: IRS Publication 552, *Recordkeeping for Individuals*.

Fact Sheet 2

How Long Should You Keep Financial Records?

Each year after tax returns are completed, you have to decide which records need to be saved. Much of the previous year's paperwork does not have to be saved for tax purposes. Unless you are keeping it for other reasons, such as 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.** Keep for as long as you own your home, plus at least three years after that 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.** Keep for 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.** Keep for one year, unless it pertains to taxes or major purchases you still own.
- **Bank statements.** Keep for one year. (Hold on to anything that applies to your tax records.)

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

Sample 1: Sample Household Filing System

The purpose of this sample household filing system is to offer an example of the organizational categories you could adopt and the types of information you could keep in your filing system.

Addresses/Dates

- Business
- Personal
- Christmas card list
- Magazine subscriptions

Auto and Vehicles

- Titles
- Maintenance and repair
- Recreational vehicles
- Boats

Bank Records

- Checking accounts
- Savings accounts
- Loan contracts
- Safe deposit box (list of contents)

Financial Records

- Budget
- Net worth statements
- Records of earnings
- Records of expenditures
- Loan contracts
- Credit card numbers
- Property tax records
- Receipts and paid bills

Housing

- Mortgage payments
- Lease and rent payments
- Capital improvements
- Household
- Inventory (keep second copy in safe deposit box)
- Utilities
- Floor plan

Employment Records

- Contracts
- Retirement plans
- Pensions
- Social Security records
- Fringe benefits

Equipment and Appliances

- Warranties
- Use and care manuals

Personal Records

- Educational records
- Marriage license
- Medical records
- Pet papers
- Military records
- Wills (copy of)
- Birth certificates
- Divorce papers

Reference Materials

- Cleaning
- Crafts and hobbies
- Other
- Wiring diagram
- Photo of your home and possessions for insurance purposes

Income Tax

- Previous returns
- Canceled checks (related to taxes)
- Current year
- Information, such as medical receipts

Insurance Policies

- Automobile
- Health and life
- Disability
- Homeowner

Investments

- Annuities
- Bonds (records of)
- Stocks (records of)
- Real estate investments
- Other investments

Organizations/Clubs

- Civic
- Business
- School
- Church

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