

# Organizing Family Records

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## Creating a home business center

A good way to start organizing the business aspects of your household is to select and dedicate one specific place in your home for handling family and financial records. This may sound a bit formal, but regardless of your age, family size or income, every household has records to keep and needs a place to process and organize them. You'll need a work surface and storage facilities for your records. A telephone is handy but not essential. Your business center and record-keeping system need to:

- Be easy for **you** and **others** to understand and use.
- Include storage for most personal and financial records.
- Include lists of personal and financial records stored in other locations.
- Include emergency contact data for family members and persons who know facts about your personal and business affairs.

## Good household records can save your time and sanity by. . .

### Providing proof

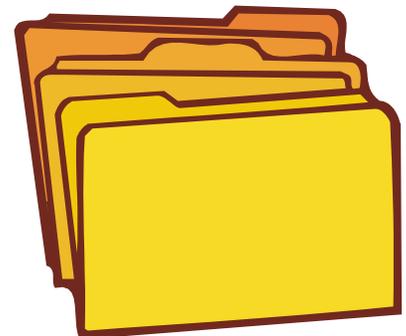
- Help on disputed errors in bank and credit statements
- Proof that bills have been paid
- Proof of ownership
- Legal evidence of births, marriages, adoptions
- Employment history
- Education history

### Providing protection

- For hard-to-replace documents
- Warrantees
- Written documentation of property decisions, lease, or rental agreements

### Providing data

- Documentation for insurance claims, e.g., household inventory
- Information for estate planning
- Facts and figures to dispute errors in bank statements, credit card bills, or to back you up in an IRS audit
- Deduction and income information for your income tax
- Reduce real estate capital gains taxes by proof of home improvement expenditures



## Decide where to keep your important records

Your wallet. Many fail to recognize that their wallet is an important filing system. It contains personal identification, emergency medical information, health insurance cards, and other frequently used items. Wallets can be lost or stolen so it's important to keep a separate list or photocopy of the contents.

A safe-deposit box in a bank or a fireproof box. This is for important records that are hard to replace such as divorce papers, birth certificates, a list or video of your household inventory, investment certificates and important legal papers. *Original* copies of wills and life insurance policies should not be kept in a safe-deposit box, which might be sealed at the time of death. Bank safe-deposit boxes are available in various sizes for a yearly rental fee. As an alternative a heavy-duty, fireproof box can be kept in your home to store important records. If you are unable to locate one of these secure places, put hard-to-replace records in a zip-lock plastic bag for waterproofing and place them in an old metal toolbox, a freezer, or a heavy metal container for protection from fire.

A home filing system. This is where the bulk of your records will be stored and will be the focal point of your home office or business center. You can use any type of container or combination of containers for your files. A cardboard file box, a metal filing cabinet or box, envelopes, an accordion-pleated folder, shoeboxes, or shelves will work. (For records kept on a computer, keep back-up copies in the filing system.)

## Setting Up Your Home Filing System

**Your** home filing system needs to meet **your** needs. It's important to select filing categories and a method of organizing the files that makes sense to you. The following categories can provide a starting point for defining your personal system.

- Bills to be paid or record of payment
- Budget and financial planning
- Consumer goods
- Credit records
- Employment/education
- Estate planning and retirement
- Family data, contacts, and record locator
- Financial/banking services
- Housing
- Insurance
- Investments
- Items to be filed
- Keys
- Medical/dental
- Organizational memberships
- Pets
- Subscriptions
- Transportation
- Taxes

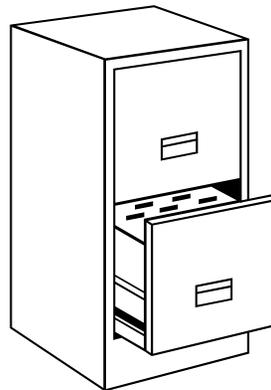
There are a number of options for organizing these categories in your filing system. One

involves creating a single file with topics arranged alphabetically. A second is to divide records into two parts: temporary and permanent, or active and inactive.

If you choose the second, use the temporary (or active) file to hold receipts from most day-to-day transactions. All items in this section should be reviewed annually. Most of the items can be tossed out at the end of a year. Some should be moved to the permanent section of the filing system.

The permanent (or inactive) file contains on-going records that are used infrequently but need to be kept. Periodically clean out and update these files. Items for this file include original and duplicate documents and records, back tax returns, ownership papers, and insurance information.

Office supply stores offer extensive assortments of file folders, category dividers, and storage options in a wide range of prices. Your system can be as simple or complex as you desire. The important thing is to establish a system that is easy for you to remember and use.



### Filing System Set-up Options

1. Arrange topics alphabetically in one continuous file

2. Divide records into two parts:

- temporary (or active)
- permanent (or inactive)

## What to keep and what to toss?

Even though the list will vary from person to person, the following “keepers” and “things to toss” hold true for most people in order to provide proof, have necessary data, or to protect the things that are important to them.

### Keepers

- Documentation of major life events (births, marriage, divorce, military service, citizenship, adoption); health and immunization records on an indefinite basis.
- *Current* housing records (deeds, mortgage papers), investment records, insurance policies, estate planning documents (wills, advance directives), home improvement records, titles of vehicles, and contracts.
- Tax returns for six years from filing date. (Note: The IRS has three years after the tax year of filing to audit returns; six years if taxpayer omits more than 25 percent of gross income; unlimited time if fraud is found.)

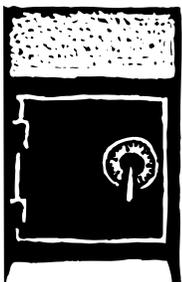
- Records of investment purchases and sales for six years after the tax deadline for the year of sale.
- Receipts (canceled checks, credit receipts), maintenance/warranty records for consumer goods that are *currently* in your possession.
- Receipts for routine bills and credit card statements until proof of payment is received or any problems are resolved.
- Supporting evidence related to tax returns, notes, mortgages, and property documents for period of ownership plus six years.

### Things to Toss

Toss items that are *not* needed for tax purposes, that do not meet the criteria in the “keepers” list above, or that would not have value to you or family members to provide proof or direction should they be thrown away. Expired warranties, grocery receipts, canceled insurance policies, old utility bills, and old frequent flyer statements simply take up valuable space.

## Keep these items in your safe-deposit or fireproof box.

A safe-deposit or fireproof box is the place to keep items that cannot be replaced or would be costly or cumbersome to replace.



- ✓ Birth and death certificates
- ✓ Deeds to real estate
- ✓ Vehicle titles
- ✓ Household inventory
- ✓ Copy of will and list of insurance policies
- ✓ Marriage and divorce papers
- ✓ Military service records
- ✓ Contracts
- ✓ Small family heirlooms

## Test your IQ on how long to store records

For each item listed below, write the letter of the recommended storage time.

- A. Permanently
- B. Six years from tax filing date
- C. Three years from tax filing date
- D. For the duration of ownership
- E. For duration of ownership plus six years.
- F. Until payment is processed or satisfaction is received

- \_\_\_\_\_ 1. Canceled checks
- \_\_\_\_\_ 2. Mortgage records
- \_\_\_\_\_ 3. Income tax returns after filing
- \_\_\_\_\_ 4. Vehicle titles
- \_\_\_\_\_ 5. Warranties
- \_\_\_\_\_ 6. Military service records
- \_\_\_\_\_ 7. Divorce papers
- \_\_\_\_\_ 8. Paid utility bills
- \_\_\_\_\_ 9. Receipts for a large purchase
- \_\_\_\_\_ 10. Investment records after date of sale
- \_\_\_\_\_ 11. Paid credit card bills
- \_\_\_\_\_ 12. Home improvement records
- \_\_\_\_\_ 13. Insurance policies
- \_\_\_\_\_ 14. Bank statements



### Answers:

- 1-B; 2-E; 3-B;
- 4-D; 5-D; 6-A;
- 7-A; 8-F; 9-D;
- 10-B; 11-F;
- 12-E; 13-D;
- 14-B

## Quick organizing tips

1. Develop a roadmap for your record-keeping system that lists: key people involved in your family and business affairs, the location(s) of your family records, and a list of file contents.

Put the roadmap in an easily accessible place known to all family members. Put a copy in your safe-deposit box and give one to a close friend.

**Note:** Request a copy of MSU Extension bulletin, E451, *Record of Important Family Papers* from your county Michigan State University Extension office. This publication provides space for all of the above information. Cost \$1.

2. Assign one person in the household to coordinate the family business center, but be sure that others know how to access information in it.
3. Handle mail efficiently. Open all mail daily and toss junk mail immediately. Open bills, check for accuracy, throw out fillers and keep in a "bills to be paid" file.
4. Simplify bill paying by authorizing automatic debits from your checking account.
5. Set a regular time for paying bills and dealing with family business matters.



### Quote:

***"Family financial conditions change from year to year. Experts advise an annual evaluation of your family- and financial-records."***

Source unknown

## A website to visit

[www.urbanext.uiuc.edu/ww1/02-00.html](http://www.urbanext.uiuc.edu/ww1/02-00.html)

(University of Illinois)

An extensive website about organizing your family and financial records.

## A household inventory can be invaluable

In case of fire or theft, information about the items you own can prove invaluable in settling insurance or tax claims. You can create such an inventory in several ways. The most labor intensive is a written record that lists the items, their date of acquisition and value. Alternatively you can take snapshots of the items and write information on the backs. Creating a narrated video tape of your belongings works well too. Remember to

keep your completed inventory in a fireproof location.



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<http://www.msue.msu.edu>

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