GATHERING THE DATA:

Use of Record-Keeping Systems in Budgeting

SEPHTON FINANCIAL

WIDOW & WISDOM™

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WHAT IS A RECORD-KEEPING SYSTEM?

A record-keeping system is a planned, methodical approach to collecting, filing, and storing documents that are important to you and to other members of your family and household. While everyone saves at least some important documents and records, you may be uncertain of how to go about organizing your financial history , which records you should save, and how long to save each item .

Creating a systematic approach to record keeping addresses these questions. It also offers several distinct advantages, while minimizing the risk of being unable to locate a critical document when it is urgently needed. Added emotional turmoil is never welcome at such times. The focus here is on records you must keep for financial planning and budgeting. However, a good record-keeping system requires retention of other important documents as well. Among these are items that may not be financial records per se, such as marriage and birth certificates, wills, deeds, trust documents, insurance policies, and medical proxy statements.

SYSTEMATIC RECORD KEEPING HAS SEVERAL MAJOR ADVANTAGES

Having a place for everything ultimately saves valuable time

Having an established record-keeping system means that when you sort and open the daily mail, you automatically know which items to save and where to put them. Without such a system, important bills and documents can be misplaced easily. Even a few items gone astray can be a source of major headaches later.

Avoids lost records that can be costly

Documents of many types may be required for reference or verification long after you receive them. Tax auditors invariably demand documented support for tax return claims. Guarantees and warranties contain vital details usually soon forgotten. Proof of citizenship is required for employment and international travel. Other needs arise less frequently, but missing records usually bring plans to an abrupt halt while a desperate search is undertaken.

Example(s): Rob, an avid mountaineer, has a terrible accident that lands him in a hospital for surgery. He's pretty sure the name of his insurance company has a color in it, but his short-term memory is a little hazy from the fall. And unfortunately, his wife can't find the insurance policy or card. If only Rob had kept better records!

Others can better manage your affairs should it suddenly become necessary

Hopefully, you will never become incapacitated, but there is always a possibility. If it happens today, can someone easily take over your financial affairs? Or, as is too often the case, will they have no idea about your financial situation and the location of important records?

Example(s): You are on a business trip when your flight home on ABC Airlines crashes. Fortunately, you survive, but you spend several weeks in intensive care. Your significant other enters your hospital room to say, "Honey, the tax man called again requesting the paperwork for tax preparation. He said the extension you requested will run out soon." Will locating those records be a Herculean task?

GATHERING THE DATA: WHAT ITEMS DO YOU NEED TO GET STARTED?

A vital records log can be used to keep track of your records. The log is a worksheet that identifies where each of your important documents are located. It should be readily accessible so that in times of crisis, your important records can be easily found.

NOTES:

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