



## Organizing Articles, Newsletters and Tips

Free Information from Space4U

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### ORGANIZING YOUR FINANCIAL RECORDS

*written by Sue West, Space4U, LLC*

So, how many phone calls did you get last year from your advisor or CPA, asking you to please send in your financial records? How much time do you think you spent gathering all the paperwork required? Are you in the 23% of adults who say they pay bills late (and thus incur fees) because they lose the bills? Or are you just plain tired of not finding what you need, when you need it?

Own a business? Did you have the mad rush before deadlines to get your CPA what he/she needed? Or to your financial advisor for your review process? The average U.S. business person wastes six weeks annually searching for important documents lost in clutter.

It doesn't have to be this way – read on for some simple tips to get your financial records organized for the year.

#### Taxes

1. Place tax documents in an envelope or file as you receive them, right at your desk or mail center. They'll be altogether when you have to submit them.
2. Use the tax organizer package your CPA sends. Mine sends an envelope and a survey every January. The envelope I use to collect my 1099's and other documents, right at the desk where I open the mail. The survey is useful because I remember things I'd forgotten during the year. And the survey will give your CPA a quick picture of your business or household and identify questions quickly.
3. Outsource to a CPA. Find someone good by asking friends and colleagues. They know the questions to ask you. They know the legalities. You'll get a strong team member who can alleviate stress for you and "give back" time. They can make calls to your fund companies to get the cost basis. If you give power of attorney, they can deal with the government for you.
4. Try the new simpler version of QuickBooks, the Simple Start Edition. Track and organize money coming in and money going out. Gives you only the features you need (sales, expenses, estimates, invoices, etc.)
5. Be careful of using tax software. If your situation is fairly simple, nothing unusual, no business, then you're probably okay. Software can't read into your situation and ask you the clarifying questions that a CPA would. If you don't exactly understand the software or the questions it asks, then you'll inadvertently give the wrong answers.

## **Bills**

1. Keep bills together in one place, with checks, stamps, return labels if needed. One client uses a set of plastic drawers. Each drawer has a clear label: pay by the 1st; pay for the 15th. Another uses a container right at the PC because she is an online bill payer.
2. Pay bills once a week at a regular time. Until you have established a habit, put a reminder appointment on your calendar to pay the bills.
3. Only 23% of people use online banking. Online banking allows you to schedule regular amounts, payable every month, i.e. mortgage, cars, insurance. These are done in less time than you can write the check. You won't be late. For bills such as electric service which may vary monthly, get these paid once a week. I have a client who knows her average bill, so she pays a little more than average each month and then auto-schedules the payments for the year.
4. Choose and keep to one way to get the bills paid. Don't pay some by phone, some by check and some by online banking or you won't get a good handle on your expense levels – which usually means you'll have more debt than you realize.
5. Pay business expenses out of your business account only (except during early startup time when you don't have income). Keeping business and personal separate is huge.

## **Find Paper Documents and PC Files Faster**

1. by organizing into groups (break down the lump of piles or files).
2. by keeping your organization systems simple to maintain.
3. by separating business and personal files – ideally, with separate file cabinets and separate pc's.
4. by not letting someone organize "for" you. If you request help, work side-by-side. One client told me she'd hired someone to organize her files because her business was so busy. Problem: file systems require fairly good knowledge of the business. Plus the two of them don't think alike. Couldn't find anything. So the file organization is now getting a makeover.
5. by using color, but selectively. The color should enable you to find documents faster, not be an end in itself. So when to use color? Imagine your desk or looking into a file drawer. Now, use color to easily find files for the different businesses you own; to locate personal vs. business; or to separate marketing programs vs. client files.
6. by clear labeling. Label makers can be purchased for \$50 and less. Or use the label templates you get when you purchase the labels you print from the pc. Clear, large font labels make it easier to find your file. Pencil wears off pretty quickly. The erasable tabs are okay, but pen is simply not as easy to read as a large, clear, typed label. Just try ignoring a label when it's staring at you!

## **How Long Do I Keep It ... and How Do I Organize It All?**

1. If you're starting from scratch, you're going to: sort through papers and put them into groups; decide as you sort whether you need to keep each document or file; then make smaller groups so it's easier to find everything.
2. Your CPA can tell you how long you should keep financial documents. Business

and personal guidelines differ. The least amount of time to keep certain documents is 3 years; some are 6 years and still others are kept indefinitely. For a specific list, read this article (linked by permission). But check with your local expert to be sure.

3. You will have three groups of files. Those you use weekly should be on your desktop in a holder. Other active folders belong nearby in a cabinet. Archives are kept out of your regular workspace. All of this makes it easier to find a file, because you have fewer active files to search through, and because less paper is less distracting.
4. For electronic files, keep the first two groups on your pc and backed up. Keep archives on separate media, off the pc.
5. Then have a file for:
  - each investment fund or property;
  - income sources (you may have income from clients, partners, affiliates)
  - stocks, stock options (and put a reminder in your calendar for the expiration date so it doesn't pass you by);
  - QuickBooks or other backup files;
  - Bills/expense backup (ideally with files for each major source of expenses);
  - taxes (for each year, you should have a file for the final forms submitted; correspondence file; and the receipts file.)

## **The "Little Stuff" That Matters – Mileage & Receipts Tracking**

### **Tracking Mileage**

- What do you always take to your car? Is it your day planner, your business cards holder, a briefcase? Keep your mileage log booklet with it. If that's not visible enough to remind you, try one of these:
  - Open your day planner every time you get in the car. Leave it on the passenger seat. When you go to leave the car, you'll see your mileage log. Add the mileage.
  - If you use a mapping service to get directions, keep the directions on the car's front seat. When you pick them up after your appointment's over, drop them into a "5 minute" file you keep with you. The map has the mileage. The "5 minute" file is where you put tasks to do when you have a few spare minutes.
  - Use a tape recorder.
  - If you live by your hand-held, keep track of your mileage in there. Update when you check your appointments for the following day. Make it a habit.
- Once a week, update your mileage spreadsheet.

### **Receipts**

#### If On a Multi-Day Trip

- keep an envelope with you for all receipts.
- work up expense totals while traveling – eating out or on the plane. When you arrive home and are hit with daily life, you've already closed out the trip.

#### Local Travel

## Organize Your Space and Time

- Put receipts in the same place until you get arrive home, like in your wallet, suit pocket, pants pocket. You'll know this is the only place to find them. Or carry an envelope.
- Empty daily to one place (different containers for business/personal). One client uses a small set of three drawers, one for each business' receipts. Another uses a basket at the office front door. Another uses a file folder on his desk.
- Once you've entered your expenses into your financial tracking system, move receipts to your file system or to where your office assistant can get them filed.