

Chapter 2

Getting Organized and Creating Your Own Home Filing System

The benefit of having an efficient and organized filing system at your home is reducing stress in your life. It is easier and less stressful to have an organized system to receive, sort, and if necessary, store the seemingly endless avalanche of incoming paperwork and information about all your financial matters, important documents, and everything else of importance in your life while being able to locate whatever you need, should the need to retrieve the information become necessary.

Does the following scenario sound familiar? You stop by the mailbox on the way into your home. Perhaps you walk into the kitchen, opening your mail as you walk. The obvious junk mail makes it into the trash, but you have some bills, correspondence, monthly statements, and other things you know you'll want to review before deciding whether to keep them or throw them away. So, you put all the saved items on the kitchen counter. The next day, you do the same, but the mail is opened by the front door, and the paperwork is piled up on the table near the door. Another time, the paperwork winds up in your bedroom. During the weekend, you pick up all the piles of paper in the various locations and move them all into a single "organized" pile. As the pile gets bigger, so does the stress, knowing that each item in the pile requires your attention. All this can result in clutter that distracts you from what you need or want to do, not to mention the difficulty of immediately locating a needed document quickly!

Frequently, clients come into my office with a file box filled with paperwork, unopened envelopes containing account statements, prospectuses, correspondence, and a mountain of other documents that have become so cumbersome that the client doesn't know what needs to be kept, thrown away, or shredded. They have become so overwhelmed, they have done nothing at all.

So, the purpose of this chapter is to help you create an organized home filing system to enable you to know:

1. Whether it is a document you need to keep
2. If you need to keep it, whether you should merely scan and save it electronically, or whether you should keep and file the original document
3. Where to file each document (should the document be filed in a filing cabinet, on your computer as a digital file, or both?), and where exactly the document or information is located so you can conveniently retrieve it should you need to do so
4. When you can (and/or should) finally shred and dispose of the document

While it takes some effort to set up the system in the beginning, the hours of time saved in the future when you try to find a document (in addition to the relief from the stress caused by the ever-growing mountains of paperwork) are well worthwhile.

In addition, having an organized system in place will also save your loved ones the stress of trying to figure out where everything is located should something happen to you that prevents you from taking care of your own financial affairs. They need to know the filing system exists, where it is located, and how to access the information and documents.

For your physical files, you should either show them where the physical files are located in your home or work, or clearly describe in detail where they can be found. The mother of one of my clients recently passed away. She remembered that her mother had told her that she had bought a burial insurance policy, and the policy was located "in the house." My client searched the house from top to bottom and was never able to locate the policy. As a result, she wound up having to pay for her mother's funeral. It would have been much better for her mother to say, "the policy is in my closet, in one of the boxes on the top shelf." It would have been even better had her mother taken my client by the hand and literally shown her where it, and other important documents, were located.

For your electronic files, you should show your loved ones **where** the information is stored. Whether you store them on your computer, a backup storage drive, a CD-ROM, a thumb drive, or in a cloud-based storage vault, your loved ones need to know where the files are located and how to access them.

In addition, you also need to teach them **how** to retrieve the file. If a file name, password, and/or encryption code are required to retrieve the needed information, be sure to provide this information, too. After all, if you are unable to speak for yourself, you don't want your essential information to disappear into an electronic black hole.

Preparation of this document is a significant endeavor. But if you are thinking that this task is too enormous for **you** to complete), imagine what an even greater burden it will be to your loved ones to locate all the information, without you being able to tell them all they need to know. So, if necessary, enlist the help of the ones who will be saddled with the responsibility of handling your affairs. They will appreciate your efforts to make their lives easier should something happen to you.

As in most aspects of your life, organization requires planning to make the job easier. It will require some thought on your part to determine what type of filing system will best suit your needs. Let's break the process down into smaller, more palatable steps.

I. BEFORE YOU GET STARTED:

1. Equipment needed

- a. Filing cabinet or file boxes
- b. Cross-cut shredder
- c. Garbage can
- d. Hanging file folders
- e. File folders (I recommend tri-cut folders)
- f. Scanner (if using a computer)
- g. Computer and external backup drive (if desired); and
- h. Fireproof lockbox, safe, and/or safety deposit box at your bank

2. How much space do you have available, and where will you store everything?

Take a few moments to look around the area where you will be doing most of your paperwork, paying bills, reviewing documents, and filing paperwork. Is there an electrical outlet nearby for a shredder and/or scanner, if you decide to buy them? Is the area well lit? When filed away, are all documents located in a place convenient to where you will file and retrieve documents? Sit at your workspace and see where you will need to reach for equipment, office supplies, and files.

If you have a work area with a desk, that's great. If not, and you must work at the kitchen table, for example, it is still possible to be organized, even if it's not as convenient as having a dedicated work space.

Very few people have an unlimited amount of storage space. So, if you have been letting paperwork pile up on a countertop, in a drawer, or on a shelf in the closet, I recommend keeping everything in a filing cabinet or individual file boxes.

I would recommend at least a two-drawer cabinet, if not a four-drawer cabinet, space permitting. A two-drawer filing cabinet can range from \$50.00 to \$500.00, but I have seen them for as little as \$25.00 at garage sales, thrift stores such as Salvation Army, and at used furniture resales or consignment shops.

If space is too limited, consider a good-quality file box that can be kept in a convenient place, such as under a desk. If no home office or desk space is available, the file box can be kept out of view (such as on the floor of a closet). File boxes can be obtained at an office supply store for just a couple dollars for your basic cardboard banker's box or about \$20.00 for a plastic one.

The goal is to make sure everything needed is stored in one location, so that when new paperwork comes in, it can immediately be filed in its designated place, rather than being thrown into one of the random piles around your house. For example, you want to open your mail right where the filing system is located.

This place should be located near to a garbage can so you can immediately dispose what you don't need now or in the foreseeable future, to a shredder so you can destroy anything you wouldn't want a thief to find in your garbage (e.g. statements with account numbers, social security numbers, etc.), and to a scanner so you can scan any non-essential paperwork to a digital file; this way you can find the information when you need it, but don't need to keep the paper version of it.

Hint: Don't scrimp on a cheap scanner that scans a single page at a time. Spend a little more and get a faster scanner with a multi-sheet feeder that will scan both sides of the paper. Nothing will sabotage your scanning (and organizing) efforts more than a slow, one-page-at-a-time scanner. Some models even have special slots to make it easier to scan photographs, bills, and business cards. You want to be able to take an entire document (e.g. a 20-page investment account statement), put it in the feeder, push the button, scan and save the entire document as a single PDF file, and then shred the paper version of it.

3. Small stuff

Figure out a place to keep the small items that you use on a regular basis that clutter your work area, such as a stapler, tape, paperclips, pencil sharpener, Post-It notes, pens and pencils, stamps, etc. This can either be a desk drawer, a desk organizer, or a cabinet, whatever works best for you.

4. What type of filing system will work best for you?

Everyone is different, so what filing system works best for one person will not work for another. Do you prefer to search by category (financial assets, financial liabilities, medical information, taxes, home warranties, instruction manuals, etc.), or do you prefer searching alphabetically by name or reference number? My preference is to file by category, but do whatever works best for you. This will be discussed in greater detail below.

5. How much storage space do you need?

Most of us save significantly too much paperwork, mostly because it is usually easier to throw a document in a pile or in a drawer than to risk throwing away something that we fear we may need in the future. There will be more discussion later regarding what documents you should, or need to, keep.

Determine how often you need to retrieve certain files. This will determine what information you need at your fingertips, whether you need to keep it as a physical or electronic file format, and where you want to keep it: Do you want to keep it on your desk for immediate attention, in a file box at your feet, a two-drawer or four-drawer filing cabinet near your desk, or stored as an electronic file? If you are like me, you will find that, out of all the paperwork you have saved over the decades, you probably haven't even looked at, let alone needed, over 95% of all that paperwork.

6. Determine the labeling system you will use

It will make your life easier to retrieve needed information if all the files have easy-to-read file labels. Whether you print the labels with a pen or use label-making software on your computer, the goal is to be able to easily find the file you are seeking.

7. Consider using a combination of hanging files and file folders

While they are a few dollars more expensive, you may want to buy colored hanging folders (including the plastic labels) and plain manila file folders. The colored hanging files enable you to separate your files by major categories, such as yellow for financial, red for medical, blue for kids and family, etc. This will enable you to immediately find the section of the files where the information you need is located, then in each hanging file category, use the manila file folders for the subcategories. For example, use one red hanging file for the medical records for each family member, and within each family member's medical records file, use a separate manila file for each doctor, dentist, prescription drugs, etc. I prefer using tri-cut folders, so you can read the contents of three files at a time.

8. Keep it simple, and your filing system will grow with you

Start with broad categories, and you can add more specific categories or subcategories as needed. As in the example above, you may start with a single medical file containing anything having to do with your family's medical matters, which can then be expanded to include specific doctors, dentists, medical records, prescription drugs, etc. or a separate file for each of the members of your family.

II. GETTING STARTED WITH THE PHYSICAL FILING SYSTEM

1. Create a 44-file "Forever Calendar" filing system out of letter-sized hanging files

It is quite frustrating to know there is something that needs to be done on a specified date, but you can't locate the theater tickets, birthday card you intended to send, or the medical records you are supposed to bring with you to a doctor's appointment. If you have approximately one foot of space, the "Forever Calendar" is a continuously updated system that makes it simple to locate what is needed each day.

First, create a series of 31 basic green hanging files numbered 1 through 31 for the days in a month, 12 hanging files—preferably all one color such as yellow—labeled January through December, plus 1 more hanging file labeled "Next Year."

Place all the numbered daily files first, then all the months-of-the-year files next, then the "Next Year" file. So, for example, let's assume today is January 1st. If anything requires your attention on any specific day in January, you put it in the appropriately numbered folder. So, if you want to mail out a birthday card a few days before January 18th, you put the card in the January 15th file to allow for the mailing time, or if you have a doctor's appointment on January 23rd, you put any required paperwork in the file for the 23rd. But if something is needed for April 12th or September 15th, for now, you just put it in the appropriate month's file. Or if it is next year or beyond, it gets filed in the "Next Year" folder.

Every day, you pull that day's file, retrieve whatever is in that day's file and then move the current day's folder behind the next month's folder. When you reach the last day of the month, you pull the next month's folder, remove anything that you had filed there to be done that month, and insert the documents into the appropriate folder for the appropriate date. Make it a habit to file all time-sensitive materials in the appropriate place, and be sure to pull that day's folder first thing in the day (I usually retrieve it on the night before, just in case it is a morning activity, or to avoid forgetting it in the rush of getting ready for the day). Since I use my 44-file system at the office (I don't go to the office on weekends, if possible), on Fridays, I also pull the Saturday and Sunday files to make sure I don't miss something important that may happen over the weekend.

The key to making the 44-file system work is using it consistently and habitually checking it every day as part of your daily routine. Some people prefer to do it first thing in the morning. I prefer to check the next day's file the evening before, so I can prepare for what needs to be done (e.g. what I need to wear) before going to bed, and not at the last second if I'm rushed (or groggy) in the morning.

2. Add additional hanging files for frequently needed information

In addition to the 44 files, I also have a hanging file for anything else I use on an almost daily basis. For example, I have a file for "Unpaid Bills." Since I prefer to pay my bills once a week, rather than let them pile up on a desk and risk the potential for them getting misplaced, I put them into the "Unpaid Bills" file, and I immediately know where they are when I'm ready to pay them. I even keep my checkbook and register in the same file.

Behind my 44-file system above, I have two more hanging files: one for "Paid Bills – Non-Deductible," and one for "Paid Bills – Tax Deductible," which save me time when I need to work on my income taxes. As I pay my bills, I simply put the paid bill in the appropriate file.

At the office, I also have separate files for "Calls Out" with the information I need for calls I need to make; "Calls In" to hold notes about messages I've left for others, and waiting for them to return my calls; "Correspondence" for letters I need to read and/or reply to; "Projects" which contain my "To-Do" and "To-Buy" lists for projects around the house and office; and "Top Priority" when there is something that absolutely and positively needs to be done right away!

Use your imagination for creating whatever files or topics are most important to you.

And ever-changing technology helps. For example, the "To-Do" and "To-Buy" project lists are now stored in an application on my smartphone. So, if I find myself at the grocery store or hardware store, I have my list with me.

In the past, I had a "To Read" file, for storing articles of interest that I knew I would want to read later. It was convenient to have the file with me, and when I had some down time, such as sitting in a doctor's waiting room, I could pull out the file and have something useful to read.

But I then replaced the physical hanging "To Read" file (at least if the article wasn't a book or in a bound format), with a digital computer file. I scan the article and store it on my computer in my "To Read" file. Since I'm seldom without my laptop, the digital file is with me. As an alternative, I copy my "To Read" file to my keychain USB drive, so I can retrieve and read the article on any computer at my convenience.

As this book goes to print, while I still have the thumb drive with me, I have a duplicate file stored in the cloud so that during free moments, I can retrieve and read the articles on my smartphone, tablet, or any other media device I choose.

This has enabled me to eliminate mountains of magazines with articles I used to earmark to read someday. Did you ever notice how that free time never seems to arrive? Now, I can stand in a line at the grocery store and quickly peruse an article I previously scanned to the cloud.

Constantly evolving technology provides us with increasingly more efficient methods of accessing the information we need and eliminating the mountains of paper we don't need.

I also recommend creating an "Emergency File" in case you ever need to make a hasty exit from the house. In Florida, for example, it is recommended to keep a "Hurricane File," a sealable plastic bag that contains a copy of your home insurance policy, legal documents (e.g. Durable Power of Attorney, Health Care Directives, etc.), address book with phone numbers of emergency contacts, a copy of your health insurance card, a few blank unsigned

checks, and anything else you would want with you if you had to evacuate your home at a moment's notice due to fire, flood, or other emergency. You may even want to include a flash drive with a backup of any vital personal and business computer files you would need.

III. CATEGORIES

In setting up your filing system for both a physical paper-based system as well as a digital filing system, there are six main categories I use (consider using different colored files for each one to make them easier to find):

1. Financial (assets, liabilities, banking, credit cards, investments, annuities, etc.)
2. Insurance (life, health, auto, umbrella, long-term care, home, etc.)
3. Medical (doctor, dentist, prescriptions, vital records, etc.)
4. Household (appliance manuals, warranties, inventory, serial numbers, swatches of paint colors, etc.)
5. Personal (school, legal documents, vacation, goals.); and
6. Taxes (last year's return, deductible bills, any info that is, or may be, needed for tax preparation)

Feel free to add whatever other major categories you believe are important to you.

Each of these categories and subcategories can then be broken down further as needed or desired (and if space permits). So, for example, instruction manuals and warranties could be broken down further into household appliances (refrigerator, range, washer, dryer, dishwasher), electronics (computer, stereo equipment, cell phone), and "Home & Garden" (garage door, lawnmower, chainsaw, edger, etc.).

A computer-based or cloud-based filing system could be created, paralleling the same category breakdown you choose for your physical filing system. You may find that much, if not most, of the information you would usually file in the drawer is something you seldom need, and may find it more convenient to scan and store all that "just-in-case-I-need-it-someday" information in digital format on your computer, rather than keeping a hardcopy version of it in your file drawer.

I will discuss scanning in greater detail below.

Important: When using a digital-based filing system, be sure to back it up often! Losing all your files to computer or storage device breakdown is just as painful as losing all your paperwork to a fire.

IV. GATHER AND SORT

It's time to gather all your paperwork in one place. Decide where you will be doing all the sorting and use that as your home base. Go through every shelf in every closet in every room, every drawer in every cabinet, and don't forget to search the kitchen, laundry room, and garage. Don't forget the back pockets of the front seats and trunk of your car. If you keep additional personal records at your office or workplace, bring them home. Gather all the paperwork together and prepare to sort it all into major categories:

1. The "I Absolutely Must Keep It" pile. This is self-explanatory and will be discussed in greater detail below
2. The "I Should Probably Keep It" pile. Include items you know you will need in the "near" future. Also include items of sentimental value you know you want to keep, such as that first "I love you, Mommy" Valentine's Day card your daughter drew in crayon for you in pre-school (even if you are convinced, now that she is a teenager, that aliens have stolen her brain)
3. The "I Might Need It Someday (even if I haven't looked at it in the past 20 years)" pile
4. The "I Don't Really Need It" pile

Let's work on these 4 piles in reverse order:

1. The "I Don't Really Need It" pile

You will probably find this to be the largest pile, containing old party invitations, old monthly newsletters, playbills, expired discount coupons, advertisements, etc. This is the stuff you know you really don't need.

Look at each document. If someone went through your garbage and found it, would it have some information you would not want them to know? For example, does it contain personally identifiable information (bank or investment account numbers, social security numbers, birthdates, etc.), or other confidential information you wouldn't want to share with a thief?

If so, shred it. If not, you can throw it away. In fact, why even bother making a pile? Put it right into the trash can the moment you realize you don't need it.

You've got one pile done. Celebrate.

2. The "I Might Need It Someday" pile

This would include your bank statements, your kids' school records, old medical records, etc. If you aren't sure if you should, or just can't bring yourself to throw it away or shred it, then feel free to scan it, so you have a digital copy of it.

And then throw it away or shred it!

You've got another pile done. Do something special for yourself.

3. The "I Should Probably Keep It" pile

This pile would include instruction manuals and warranty information for appliances, furnishings, electronics, and things you have bought, recovery disks for your computer, computer software program disks, etc.

Keep the warranty information together with the instruction manual (and purchase receipt, if you have it), and write down your date of purchase on the manual along with the serial number, if any, of the item you purchased. Also write down the day the warranty expires, so you can dispose of the warranty information after the expiration date.

Keep in mind that, as a benefit of using certain credit cards for the purchase, some credit card companies will double the length of the manufacturer's warranty. Make a point of keeping the credit card receipts (so you will have proof of the purchase date) along with the warranty information.

And remember that most instruction manuals are now available online. Verify if a PDF version is available to download to your digital filing system. So, do you really need to keep the physical version of it?

Once the warranty has expired, or after you have disposed of the purchased item, throw the warranty and instruction manual away. Do the same with old computer disks and software you no longer use.

Your third pile is done. To celebrate, do something wonderful for that special person in your life.

4. The "I Absolutely Must Keep It" pile. These documents fall into several categories:

Your “Keep Forever” documents

1. Passport
2. Birth and death certificates
3. Social security cards
4. ID cards
5. Marriage license
6. Business licenses
7. Original wills, trusts, powers of attorney, health care surrogates, living wills, guardianship documents
8. Pension and retirement plan documents
9. Real estate deeds and mortgage documents
10. Vehicle titles and loan documents (shred when you replace the car, unless you need the information for business or tax purposes)
11. Diplomas and professional certifications
12. Business ownership documents (e.g. Articles of Incorporation, Certificates of Title, etc.)
13. Proof of ownership, valuation (appraisal), and purchase receipts for major purchases, such as jewelry, precious metals and coins, collectibles, antiques, artwork, etc.
14. Proof of ownership rights of intangible assets such as copyrights, patents, royalty-paying assets, etc.

Your “In Case of Emergency” Kit (consider saving a copy of these documents on an encrypted thumb drive or a secure cloud-based storage vault, too, but remember, you may not have access to a computer, smartphone, and/or electricity for an extended time period)

1. A copy of your driver’s license
2. A copy of your various insurance policies (life, health, auto, home)
3. A copy of the contents of your wallets (both sides of credit cards, debit cards, driver’s license, proof of insurance, etc.)
4. A digital copy of your address book
5. Emergency cash (\$100, \$200, \$1,000. Whatever amount you feel you should have available in case of an emergency)
6. A spare key to your house and/or car
7. An “ICE” (In Case of Emergency) letter, which, if you are unconscious (or worse), will tell the reader who you are; whom to contact in an emergency with their contact information; who your doctor is; what medications you are on; any allergies you have; and any other information someone would need to know about you. It is up to you to decide just how much of information you want to provide here, considering you may have just given a stranger a key to your house and car, cash, and all the information contained in your wallet.

Your “Keep as Long as Necessary” documents

1. Tax records and supporting records and receipts (keep for seven years, then scan and shred)
2. Home purchase, sale, and capital improvement documents and receipts (keep for at least seven years after you sell the house, then scan and shred)
3. Paystubs, bank statements, and investment account statements (keep for a year). At the end of each year, I like to scan and shred the entire prior year’s-worth of bank statements for each account separately
4. Medical records and bills (keep for at least a year after payment of the bill in case a dispute about payment arises)
5. Any records regarding the purchase, sale, capital improvements, and other information regarding tangible investment assets, such as real estate, precious metals, etc.
6. Any legally binding contracts regarding agreements between you, your family, and others that may require enforcement in a court of law (keep for at least 10 years after the contract ends)

Your “Update Annually” documents

1. Current Insurance Policies (also scan a copy to your “In Case of Emergency” Kit above)
2. Current year’s social security statement
3. Current year’s investment, bank, and retirement plan statements
4. A photocopy of both sides of everything in your wallet (e.g. driver’s license, credit/debit cards, store loyalty cards, auto insurance card, membership cards, etc.)
5. A photocopy of your address book (if you use a digital or cloud-based address book, consider printing it out and saving as a PDF)
6. A list of bills you automatically pay out of your bank account or that are automatically charged to your charge card, and a list of subscriptions, software, and online websites and services you have on auto-renewal. Be sure to include information such as the name of the company, account number, phone number and/or website access (include username and password) so someone will know how to contact the company to stop the auto-pay or auto-renewal features
7. Your most recently filed income tax return

V. WHAT DOCUMENTS SHOULD YOU KEEP (AND WHERE SHOULD YOU KEEP THEM)?

There are many things that you know you should keep (such as your passport, original Last Will and Testament, insurance policies, the deed to your house, etc.), and there are many things you’re not sure you need to keep (old income tax returns, paid receipts, etc.), and there is disagreement as to where you should keep them.

For vital documents, my fallback recommendation has always been to have a photocopy available to you at home and/or scanned to a secure (preferably encrypted) digital file, but keep the original document in a bank safe deposit box. Keep in mind that there are drawbacks in doing so. Your access is restricted to the bank’s hours of operation. You must have the safe deposit box key. And if you are incapacitated or dead, someone else will either need to know about the safe deposit box and location and must have the key; they need to be authorized to access your box, or the bank may require a court order to give it.

As an alternative, for a relatively small sum, you may want to consider buying a home safe or lockbox. It is essential that it be fireproof and waterproof, which makes it a bit more expensive, but not so much as to make the cost prohibitive.

Now that you have your filing system set up and have sorted through, organized, and filed away all the documents you’ve deemed necessary to keep, we’re ready to begin serious work toward creating your “Everything” file.