The New Year is a logical time to pull together essential financial and personal information for your family and heirs. While the tragic events of September 11th have increased most Americans’ sense of vulnerability, the silver lining is that people are now suddenly more willing to address estate planning issues, to obtain or increase their life insurance policies, and to generally put their affairs in order.

A first step to get on track is to organize your routine and day-to-day financial tasks. The second – and perhaps most important step – is to organize your essential financial information so that your loved ones will be able to function without additional or needless burden in the event of your death or incapacity. While organizing your financial affairs may sound like a daunting task, it is really not as difficult or cumbersome as it may seem if you follow the suggestions below. The benefits and peace of mind will be well worth the time invested.

TIP #1: START A BASIC HOME FILING SYSTEM

Do you have trouble finding personal papers, or paying bills on time? Take the time now to get organized with a home filing system. Buy some colorful file folders and label them for each household expense or activity. If you do not have a file cabinet, purchase a plastic file bin, which is portable and will fit underneath your kitchen table or on the washer, if need be.

Create one or two files for unpaid bills, so each month you know exactly what you have to pay and when. As the bills come in, open them, circle the due date and payment amount, paperclip the statement to the return envelope, and then place the bills, by date due, in your file. Some families create 2 “Bills Due” files: one for the first pay period of the month and one for the second pay period of the month.

Create other files for essential household information, receipts and warranties. Empty your wallet and photocopy all your credit cards, health cards and any other cards with information that would be handy to have if you lost your wallet. Do this once a year or any time there is a change. If you have important papers and you don’t want to rent a safety deposit box, try keeping your valuable papers, insurance policies and passports in a fireproof lockbox.
TIP #2: CREATE A FAMILY FINANCIAL BINDER

The easiest way to organize your most critical information – information that your family will need at their fingertips in event of your death or incapacity – is to organize your documents into a single binder. Many of the items referenced in the binder are important documents and records that should be kept in a safety deposit or fireproof lockbox (e.g., original or certified copies of birth certificates, Social Security cards, passports, records of adoptions, marriages, and deaths, citizenship and veteran’s papers, as well as stock or bond certificates and insurance policies).

If you start creating your Family Financial Binder in January, you will complete the binder well before tax time. In addition, you will find it easier to compile and organize the information during the first quarter of the New Year as so much of the information you will need for your Family Financial Binder will be arriving in the mail for the tax preparation process.

The completed binder, if updated once a year, is a valuable tool for you and your family. If you follow our suggestions, you will also have a much easier time preparing for April’s tax season, obtaining or refinancing loans, and completing many other ongoing financial activities. More importantly, updating the binder allows you to take stock of your financial situation. It will serve as an annual reminder for those who have procrastinated over such things as consolidating or reallocating investments, creating or updating a financial plan, getting their wills done, establishing a trust or transferring assets into trusts that have been created to hold them.

BINDER CREATION DETAILS

1. Decide who will create and maintain the binder. In families where one person assumes all the responsibility for the family’s finances, or for a single or older parent, this level of financial organization will have tremendous value for the spouses and adult children who must suddenly take over because of death or incapacity. It especially makes sense for the spouse who normally does not handle these affairs to be the one to compile the contents of the binder.

2. Visit your local office supply store. Purchase a large three-ring binder, some plastic page protector sheets, and 12 tabbed-section sheets.
3. In the privacy of your home, make a label and/or cover sheet for your binder so that it is clearly identifiable. Create separator pages with index tabs for the following sections:

- Sources of Income
- Financial Assets
- Deeds and Titles
- Insurance Policies, Personally Held
- Employer Provided Benefits
- Mortgages, Loans and other Liabilities
- Executor Instructions
- Advisors/Contractors
- Letters to Loved Ones
- Other

4. Watch your mail. As statements come in, make a copy of each year-end statement from all your financial institutions (banks, mutual-fund companies, mortgage lenders, credit card and insurance companies, etc.). This includes year-end pay and benefit statements from employers, pension plans, retirement plans, and the Social Security Administration. The original will go into your tax return preparation file and/or safe deposit box. The copy will be inserted into your binder. Make a note of all current beneficiary and transfer-on-death designations in force for any of these accounts. If you do not own a scanner or copy machine, place the items in a large envelope or pocket folder and visit the copy shop once a week.

5. Visit your safe deposit box. Remove and make copies of all important documents therein. Return the original documents, promptly, to the box. Insert the copy into the binder, under the proper tab, with a notation as to the location of the original document.

6. Look through your wallet and photocopy credit cards, health insurance cards, Social Security cards and any other cards with essential information. The idea is to create a paper trail and provide as much essential information as you can to ease the burden of those who will be attending to your affairs, when needed.

7. Tell appropriate family members about the existence and location of the binder. If you like, create a duplicate binder for safe keeping at the office or a loved one's home.

8. Update the binder as information changes.
WHAT GOES UNDER THE TABS

*Essential Personal Papers* should contain important personal and family documents like marriage licenses, divorce papers, birth certificates, adoption papers and Social Security information.

*Sources of Income* should show employment or business revenue information.

*Financial Assets* would contain investment and related information.

*Deeds and Titles* should leave a paper trail for your home, automobiles or other deeded assets.

*Insurance Policies, Personally Held* is where you should place copies of key pages from your personal life insurance, disability, long-term care and automobile insurance policies.

*Employer Provided Benefits* could contain copies of your health insurance cards, flexible spending plan, company provided disability plan, life insurance policy, etc.

*Mortgages, Loans and other Liabilities* should contain information on your mortgage and other substantial loans such as automobile and student loans.

*Wills, Trusts, and other Legal Documents* is pretty straightforward.

Under *Advisors/Contractors* list contacts such as your attorney, stockbroker, financial planner, insurance broker, accountant, physician, religious leader, banker, trust officer, and so forth. At a minimum, staple a business card for each advisor to the sheet. You may also want to record contractors who’ll provide ongoing home maintenance, pest control, or security. If you have contracts for any of these services, a copy should go behind this tab also.

*Executor Instructions* is where you should communicate any specific funeral and obituary information, as well as any other instructions, to your executor. This is particularly important if any postmortem activities are part of your estate plan, such as the use of QTIP elections or qualified disclaimers. You might include a list of people to notify in the event of death or emergency.

An often overlooked, but important item to leave for your loved ones is a letter that conveys your values and thoughts on life. Schedule an afternoon get away, if needed, to write one or more “Letters to Loved Ones.” The letters can stand as a permanent statement of love, hope and guidance for smaller children, and remind adult loved ones of your love and appreciation for them.

The *Other* tab can be a miscellaneous catchall section.
OPTION: PURCHASE A PRE-MADE ORGANIZER

If you would rather purchase a pre-made organizer system than make your own as described above, HOMEFILE® Publishing, Inc. offers several organizer kits, ranging from $10 to $25, including the “Financial Planning Organizer Kit” ($25), “Bill Payer Organizer Kit” ($20), “The Archives” ($10), “Home Filing Made Easy” ($16) and “Safe Deposit Box Organizer Kit” ($16). Call (800) 695-3453 or visit www.organizerkits.com for more information.

TIP #3: START NOW

By taking the time to organize your important financial papers now, you will ensure a more predictable consequence in the event of your death or incapacity. You will leave a legacy of love through your letters and organized plan, and you will become more aware of the financial planning tasks you’ve put off. You will simplify routine financial tasks and streamline the process for yourself at tax preparation time. The New Year is an excellent time to compile and organize your essential financial information, and today is always the best time to get started. Don’t let another day go by without starting this important project. Planning pays off!

For more information about the author of this article, CERTIFIED FINANCIAL PLANNER™ practitioner Jo Ellen Fritz, visit www.GarrettFinancialPlanning.com or call toll free (866) 260-8400. Ms. Fritz provides “financial planning and advice for everyday life” to people from all walks of life. Services are provided on an hourly, as-needed basis from her offices in Shawnee, Kansas (Kansas City Metropolitan area).

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