

Setting Your Financial Records Straight

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1. Organised Financial Records Pay Off!

If looking for an important document sends you searching through shoeboxes and overstuffed drawers, your financial records (business or personal) are in need of a makeover. Time spent gaining control of your financial records will pay off in the long run.

Good recordkeeping can:

- Make tax preparation easier and remind you of deductions you might otherwise overlook.
- Give you a better handle on your overall financial position.
- Save you money – spend less time sorting through your records and instead, identify those that could help with financial and tax-planning opportunities.
- Provide loved ones with a roadmap to your financial affairs if you die or become incapacitated.

2. Start A Filing System

The best way to ensure your financial records are in order is simple: start a filing system. Begin by finding a convenient place for “current” files, those you will be adding to regularly. A filing cabinet works best for most people. We can also provide you with your ‘accountants’ folder that will help you maintain all of the documentation that we require to process your work whether it be weekly, monthly or yearly.

Next, designate an area in your home or business for old or “dead” files — those you need to keep but aren’t likely to access on a regular basis.

The third component of a well organised recordkeeping system is a safe ‘deposit box’. Use it to store any documents that are costly or difficult to replace.

3. What To Keep & How Long

While your recordkeeping system will be unique to your personal circumstances, certain subjects are universal. For most, the following categories make up much of their financial paperwork. Since incomplete or sloppy records in these areas can cause you major trouble and expense, getting them under control is a good place to begin.

4. Tax Documents

Your tax file should contain anything you’ll need to prepare your next tax return. This includes bank statements, IRD returns (GST etc), income receipts, expenses invoices and all other relevant documentation. Returns and supporting documentation from previous years can be placed in your dead storage area at least until the chance of an audit passes. Tax documents are required to be kept for 7 years in case the IRD decide to complete and audit. No limit exists if you failed to file or filed a fraudulent return. Companies are also required to keep documents for 12 years to comply with the Companies Office.

5. Banking Records

Keep separate files for cheque and saving statements. In most cases, you should save your statements for a year until you can double check them against your end of interest certificate from the bank. Cancelled cheques can also be discarded after a year, with a few exceptions. Cheques that support tax deductions, like those for charitable contributions or tax payments, should be moved to your tax files and saved for as long as you keep the returns they support. Keep indefinitely, and move to the appropriate files, all cancelled cheques related to a home purchase and capital improvements to your home.

6. Retirement Plan Information

Be sure to keep files on all of your retirement plans, pensions and Kiwisaver documentation. Each should contain enrolment papers, statements and contact information.

7. Insurance Policies

Copies of all current insurance policies should be maintained in separate files, containing policy numbers, issuing companies, the agents' names, amount of your coverage, as well as the names of those covered and beneficiaries. If you need to file a claim, you will appreciate having this information at your fingertips.

8. Home Records

Your home is probably your biggest investment and largest generator of paperwork. Start a file on the purchase of your home, including sales agreements, closing documents and copies of mortgages and appraisals.

Begin another file containing documents related to capital improvements as this will increase the value of your home and affect insurance coverage required. Keep all your home renovation records to protect your investment.

Another file should contain an inventory of your belongings. Include brands and model numbers, purchase prices and replacement costs. A video recording or photos of your possessions would be an invaluable tool for insurance purposes. Be sure to include a copy of your list and video in your safe deposit box in case your home is damaged or burgled.

9. What Belongs In Your 'Safe Deposit' Box?

Documents that are difficult or costly to replace should be kept in your safe deposit box. Many personal records fall into this category including birth, death, and marriage certificates, as well as adoption and divorce papers. Your safe deposit box should also hold any records of ownership, including share and bond certificates, as well as the title to your home and cars.

Your signed, original will can be stored in your safe deposit box. However, access to your box could be delayed after your death so keep a copy at home in a clearly marked file. An additional copy should be held by your lawyer. If you make changes to your will, destroy outdated versions to avoid confusion.

10. Personal Overview

With your recordkeeping system in place, I recommend preparing a notebook explaining it in case someone else needs access. Be sure to include the location of important documents as well as insurance policy information. You should also list bank and investment accounts, as well as all credit accounts with account numbers. Also, you may want to list information on other debts, including mortgages and car loans. Give a copy of this notebook to your next of kin, lawyer, accountant and trustees, if any.

11. Maintaining Your Records

With every document having its place, maintaining your filing system should be easy. A paper shredder and rubbish bin will also help you stay organised. Make it a habit to regularly discard paperwork that is no longer relevant. Additionally, a thorough, once-a-year overhaul to weed out outdated information will keep overflowing files to a minimum.

12. Taming The Clutter

When wading through your papers, consider the following to open space for paperwork yet to come.

13. Discard

- Most personal cancelled cheques and credit card bills more than a year old;
- Outdated insurance policies
- Old annual reports and proxy statements
- Information on cars, boats, appliances and electronics you no longer own

14. Move To Long-Term Storage

Filed tax returns, with supporting documentation, for at least the last 7 years or 12 years for a company.

15. Move To Long-Term Storage

- Birth and marriage certificates
- Adoption or divorce papers
- Your signed, original will
- Share and bond certificates
- Deeds and records of ownership

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