

Clear out financial clutter and save time, money and headaches

by Jason_Alderman

Nothing strikes more fear in an unorganized person's heart than tax season, when you pay dearly for a year's worth of stashing bills, receipts and other papers in a shoebox. I know, because I'm a recovering file-o-phobe. I used to think it took too long to organize my paperwork as it came in, until I realized just how much time I later wasted trying to find misplaced records.

Before the 2006 tax-filing season fades from memory, this is a good time to share a few organizational tips that might make next April less frantic.

Set up a workable filing system. Using file folders or envelopes, create separate files for different financial records and stow items there once you've paid or reviewed them. You don't necessarily need a filing cabinet - moving boxes or plastic storage bins also work. File categories might include:

• Tax returns, important tax documents and receipts. Read IRS Publication 552 for recommendations on what to save and for how long (www.irs.gov).

• Credit card, savings and checking account statements and purchase, deposit and withdrawal receipts - one file for each account.

• Retirement and investment accounts. Maintain a separate file for each 401(k), IRA or other retirement account and any mutual funds or other investments and keep the quarterly statements until annual statements arrive.

• Mortgage, lease or rental agreement information, including records on your home purchase, sale and improvements, if you own your home.

• Warranties and purchase receipts. Keep at least until the product goes out of warranty. Put copies of receipts for tax-deductible items in your tax file to save searching later.

• Insurance policies. Maintain separate files for homeowners/renter's, car, life, disability and medical insurance policies. Note how and when you paid medical bills in case of a disagreement with your insurer or doctor.

Â. Wills and trusts. Keep copies of your most recent will and living trust, along with contact information for attorney who helped set it up.

Cull the herd. Periodically purge your folders of unneeded items. For example, after balancing your checkbook and credit card statements, you can probably toss receipts, unless you need them for proof of purchase or tax purposes. Pay stubs can go once you've compared them to your W2 form. And toss utility bills after a year, unless you need them for a home office tax deduction.

Set aside a specific day each month to pay your bills. It's a drag, but so is paying late fees. I'm a big believer in automatic bill paying, where your bills are paid automatically from your debit or credit card or bank account.

Make a budget and stick to it. If you need help making a budget, visit Practical Money Skills for Life, a free personal financial management site sponsored by Visa USA (www.practicalmoneyskills.com/budgeting). There you'll find interactive tools to help track expenses, set up a livable budget, and more. As always, consult a financial professional regarding your particular situation.

Protect yourself. Always use a document shredder to dispose of anything containing personal information - even junk mail. Identity theft is on the rise.

Even though clearing out financial clutter isn't any more fun than cleaning the attic, think of what you can do with the time you'll save.

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