

FIND YOUR STUFF

FIND YOUR STUFF (Excerpted from Smart Couples Finish Rich by David Bach)

Completing the **Financial Inventory Worksheet** is probably the most crucial homework assignment you'll get in the course of this book. But don't start working on it yet. At this point, all I want you to do is begin finding your "stuff." First, I want you get yourself a dozen or so hanging folders and a box of at least 50 file folders to put inside them. Then I want you to label the hanging folders as follows.

1. Label the first one "**Tax Returns.**" In it, put eight file folders, one for each of the last seven years plus one for this year. Mark the year on each folder's tab and put into it all of that year's important tax documents, such as W-2 forms, 1099s, and (most important) a copy of all the tax returns you filed for that year. Hopefully, you've at least saved your old tax returns. If you haven't but used a professional tax preparer in the past, call him or her and ask for back copies. As a rule, you should keep old tax records for at least seven years because that's how far the law allows the IRS to go when it wants to audit you. I recommend hanging on to them even longer, but that's up to you.

2. Label the second hanging folder "**Retirement Accounts.**" This is where you're going to keep all of your retirement account statements. You could create a file for each retirement account that you and your partner have. If the two of you have three IRAs and a 401(k) plan, then you should have a separate file for each. The most important thing to keep in those folders are the quarterly statements. You don't need to keep the prospectuses that the mutual-fund companies mail you each quarter. However, if you have a company retirement account, you should definitely keep the sign-up package because it tells you what investment options you have—something you should review annually.

3. Label the third hanging folder "**Social Security.**" You should put your most recent Social Security Benefits Statement in this folder. If you haven't received one in the mail, get online and go to www.ssa.gov to request one. If you don't have Internet access, telephone your local Social Security office (the number is listed on the front of most phone books under "Federal Government").

4. Label the fourth hanging folder "**Investment Accounts.**" In this folder you put files for each investment account the two of you have that is not a retirement account. If you own mutual funds, maintain a brokerage account, or own individual stocks, each and every statement you receive that is related to these investments should go in a particular folder. If the two of you have both individual and joint accounts, create separate files for them as well.

5. Label the fifth hanging folder "**Savings and Checking Accounts.**" If you have separate checking and savings accounts, create separate file folders for them. Keep your monthly bank statements here.

6. Label the sixth hanging folder "**Household Accounts.**" If you own your own home, this one should contain the following file folders: "House Title," into which you'll put all your title information (if you can't find this stuff, call your real estate agent or title company); "Home Improvements," where you'll keep all your receipts for any home-improvement work you do (since home-improvement expenses can be added to the cost basis of your house when you sell it, you should keep receipts for as long as you own your house); and "Home Mortgage," for all your mortgage statements (which you should check regularly, since mortgage companies often DON'T CREDIT YOU PROPERLY). If you're a renter, this should contain your lease, the receipt for your security deposit, and the receipts for your rental payments.

7. Label the seventh hanging folder "**Credit Card DEBT.**" Make sure to capitalize the word DEBT so it stands out and bothers you every time you see it. I'm not kidding. I'll explain later how to deal with credit card debt. For the time being, my hope is that this won't be one of your larger hanging folders. You should create a separate file for each credit card account you and your partner have. For many couples, this folder may contain more than a dozen files. I've actually met couples with as many as 30. However many files you have, keep all your monthly statements in them. And hang on to them. As with tax returns, I keep all my credit-card records for at least seven years in case the IRS decides to audit me.

8. Label the eighth hanging folder "**Other Liabilities.**" In here go all of your records dealing with debts other than your mortgage and your credit-card accounts. These would include college loans, car loans, personal loans, etc. Each debt should have its own file, which should contain the loan note and your payment records.

9. Label the ninth hanging folder "**Insurance.**" It will contain separate folders for each of your insurance policies, including health, life, car, homeowners or renters, disability, long-term care, etc. In these folders put the appropriate policy and all the related payment records.

10. Label the tenth hanging folder "**Family Will or Trust.**" This should have a copy of your most recent will or living trust, along with the business card of the attorney who set it up.

11. If you have children, put together a folder labeled "**Children's Accounts.**" It should hold all statements and other records pertaining to college savings account or other investments that either or both of you have made for your kids.

12. Finally, create a separate folder called "**FinishRich Inventory Planner.**" Here's where you're going to put the worksheet in Step Two after you've filled it out. This folder will also contain a file in which you keep a running semi-annual total of your net worth—a vital record that will help you keep track of your financial progress.

That's it. You're done. A dozen folders—11 if you don't have children. Not so bad, is it?

As you begin the process of putting together your file-folder system, you may find you are missing some documents. In some cases (e.g. your Social Security Benefits Statement or your will), this may be because you received or created the documents in question in the first place; in others (e.g. copies of old tax returns), you may have inadvertently thrown them out. Whatever the reason, don't worry about it. Just put the files together as best you can and simply make a note of what you don't have. By the time you reach the end of this book, you will be totally organized and well prepared to fill in all the gaps.

Right now, you should feel great about the progress you've just made. Now that the two of you have started the process of getting your financial house in order, you're already in much better shape than when you first picked up the book.

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