

Get Organized

Are you a hoarder when it comes to financial documents? Here's how to get them under control.

By [Christine Benz](#) | 10-14-2017 | 05:00 | christine.benz@morningstar.com

The following is part of our [21 Days to Improve Your Financial Life](#) special report.

What's your style for organizing your financial documents?

Are you a procrastinator, letting your financial statements pile up on your desk for that (always elusive) day when you'll finally have enough time to put them in order? Or are you organized but simply saving too much, to the point that your file cabinet is bulging with trade confirmations for accounts you no longer hold? Maybe you're a minimalist: You get rid of absolutely all of your financial documents, with the assumption that you'll be able to retrieve what you need electronically when you need it.

It's getting easier to take the last tack, relying exclusively on digital resources to manage and track your financial accounts and pay bills. Not only have most financial providers made it easy to pay bills and retrieve the documents you need on demand, but mutual fund companies and brokerage firms are now also responsible for tracking investors' cost basis. And as financial services firms are quick to remind us, going paperless is the green way to go; saying no to paper statements may also help you eliminate account-service fees that would otherwise apply.

Before you go the minimalist route, however, you must first put some basic infrastructure in place. Here are some steps to take.

Step 1: Cull your existing files.

People, I've got some bad news. To get truly organized, you'll need to sort through your existing files, because it's a good bet you're hanging on to far more financial documents than you actually need to. [This article](#) discusses financial documents that you can safely shred and those you should hang on to. And certain very hard-to-replace items--including certificates of marriage, birth, death, and adoption; Social Security cards; deeds; and car titles--should be stored in a safe-deposit box or an in-home fireproof box. It's also a good idea to keep a copy of estate-planning documents in your home; alert a close loved one of these documents' existence and location.

Step 2: Secure your home system.

Transitioning your document storage from paper to digital is a key component of getting your financial house in order. An essential first step before you switch over is ensuring the security of your in-home computer network. That means making sure you have up-to-date

anti-virus and anti-spyware software as well as firewalls and a good spam filter. A good system for periodically backing up the data on your computer is also essential.

Additionally, because you'll be saving financially sensitive documents that could be manna for identity thieves, you'll need to take steps to password-protect your computer as well as those sensitive documents. Using a password manager such as LastPass, 1Password, or Dashlane helps ensure that your passwords are adequately complex and get updated frequently; you'll only need to remember one master password. Take a look at the privacy settings for the applications that you use; security experts suggest that you turn off location services for apps until you actually need them. Finally, be careful about trying to access financial information when you're away from home, and never log in to any of your financial accounts when using a public or unsecured network. Taking these steps won't guarantee that you'll never fall prey to hackers determined to illegally gather personal data, but they might encourage them to pick on someone else.

Step 3: Create a master directory.

The next step is to create a password-protected digital directory of your various accounts, including user names, passwords, and URLs as well as information about where on your computer you're storing the related documents. Not only will such a document prove invaluable for your loved ones if something should happen to you, but it will also help you manage the plethora of information for each of your accounts. [This article](#) includes a template for creating a master directory. Note that this document can be the old-fashioned, pen-and-paper kind, but if that's the case, it's crucial to keep that document in a safe location--a locked, fire-safe box, for example, or a safe deposit box. And no matter the format, it's important to inform a trusted loved one of your master directory and how to gain access to it.

Step 4: Investigate your financial providers' information systems.

The next step in organizing your financial life is to conduct a quick audit of the quality of the digital information available through your banks, brokerage and mutual fund companies, and any other companies with which you regularly do business. In most cases, you'll find that the digital statements provide you with exactly the same level of detail as the paper documents you received in the past. Here again, be savvy when creating passwords for your information on external providers' sites.

In addition to getting comfortable with the retrieval of your digital statements, see how long the institution will store past statements and other information on its website. Can you retrieve statements going back several years? If you expect to need supporting documentation longer than your provider will make it available, plan to save a copy of the statement on your own computer. (Be particularly attuned to this issue if a document relates to a previous year's tax return; the Internal Revenue Service can audit tax returns for up to seven years.)

Also be aware of the rules regarding cost basis. While financial providers are now required to keep track of investors' cost basis, investors are still on the hook for tracking cost basis for securities they've owned for awhile. If you purchased a stock prior to 2011, a mutual fund or ETF prior to 2012, and another type of security prior to 2013, you're responsible for keeping track of your purchase price to determine your gain or loss at the time of sale.

Step 5: Create a logical digital filing system.

When creating a secure home-computing environment to safely manage your sensitive financial information, you'll also want to create an intuitive organization system for your digital files. If your filing system for your paper files worked well for you in the past, there's no reason you can't duplicate it for your digital documents, too. Consider broad topic folders--"Insurance," for example, combined with subfolders such as "Auto Insurance." Plan to regularly back up these files.

Step 6: Get a plan for receipts.

Receipts and travel-related clutter can be some of the worst desktop detritus. Recycle receipts for small, everyday purchases, while scanning in receipts for items you might need to return or otherwise document the proof of purchase. Nearly all retailers will honor a scanned receipt just as they would an original, and many retailers give you the option of receiving an electronic receipt in lieu of a paper one.

Step 7: Stop it at the source.

Signing up for digital document delivery is a key way to reduce the flow of paperwork coming into your house, but that won't head it off entirely. If you're receiving unwanted flyers, catalogs, or other solicitations, call the company and ask to be removed from the mailing list. [This Federal Trade Commission post](#) includes details on opting out of the pre-approved credit card offers that are a frequent source of noisome junk mail.