

Use Tax Season to Organize for the Future

Written by Ginny Grimsley
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Financial Planner Shares Tips for a 21st-Century Filing System

Jane was not looking forward to going through her parents' belongings to get their house ready to sell. Their health had been failing for some time and they finally agreed to move to a retirement community. Now that they were both comfortably moved into their new apartment, it was up to Jane to get rid of the things they no longer needed.

Her parents had lived in the same house for more than 50 years, so Jane expected to find things that should have been tossed out years ago. But she was amazed to discover 50 years of tax returns and bank statements carefully stored in boxes in the attic. Her parents had saved all their financial records!

Many people are confused about what records they need to keep and for how long. They hold onto tax returns, bank records, brokerage statements and other financial information simply because they don't know if they'll need it again. Like Jane's parents, the documents get packed in boxes that eventually take over valuable living or storage space.

Financial planner Rick Rodgers, author of *The New Three-Legged Stool: A Tax Efficient Approach To Retirement Planning* (www.TheNewThreeLeggedStool.com), says tax time is a great time to get organized.

"Most people are going through their records to get ready to file their return," he says. "This is the time to get smart about what you need to keep and then set up a system to store it efficiently going forward."

Rodgers suggests these five steps to help you effectively organize your finances for 2012 and beyond:

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1. Out with the old – Discard the records you no longer need: Tax returns older than seven years; bank records and credit card statements that are not related to the tax returns you're keeping; brokerage statements that aren't related to purchases of current holdings. Be sure to shred all your old documents before throwing them out.

2. Go digital – Convert the documents you plan to save into digital images that are stored on your hard drive. Invest in a good scanner and scan as you go through your paperwork, shredding and tossing the hard copies as you go. On your computer, file by tax year, so your 2011 folder will contain your tax return for 2011 and all pertinent bank records and receipts. Organize the previous six years the same way. Next year you can delete the oldest folder when you add the 2012 folder.

3. Save a forest – All of the financial institutions you deal with would prefer to send your statements electronically. Stop receiving paper statements. Instead, download your statements electronically and store them in your new filing system. Most banks and credit card companies keep at least a year's worth of statements available. You need to download these files only once a year to complete the year's file.

4. Save backups in case of emergency – Make backup copies of your files on a CD. Choose a CD-R (recordable) as opposed to a CD-RW (rewriteable), because CD-R cannot accidentally be overwritten. Depending on your computer operating system, you may be able to continue adding data to a CD-R each year, until the CD is full. However, some operating systems won't allow that, so you'll need a new CD for each year.

5. Go paperless – Your new electronic filing system can be expanded to include all your financial records, from car maintenance receipts to pay stubs. Wills and insurance policies can also be scanned and stored but, of course, keep the originals of those in a safe deposit box or fireproof safe.

Gone are the days of saving your financial documents in boxes and shoving them into the attic. Technology advances have made organizing your personal finances easier with minimal cost. Make 2012 the year you get organized by moving your finances into a 21st century filing system.

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About Rick Rodgers

Certified Financial Planner Rick Rodgers is president of Rodgers & Associates, “The Retirement Specialists,” in Lancaster, Pa. He’s a Certified Retirement Counselor and member of the National Association of Personal Financial Advisers. Rodgers has been featured on national radio and TV shows, including “FOX Business News” and “The 700 Club,” and is available to speak at conferences and corporate events (www.rodgersspeaks.com).