

Money Mechanics

Record Keeping

FOR SOME FAMILIES, getting financial records in order mimics Mark Twain's conclusion about the weather: "Everybody talks about it but nobody does anything about it."

Yet, record keeping can help you

- Keep a close tab on where the money goes.
- Manage your family's daily financial responsibilities.
- Locate records and business papers easily when needed.

Making Decisions

Make three decisions before setting up a record-keeping system.

- 1. Choose one place to keep your records.** This might be a home office, a drawer in the kitchen, or a file cabinet in the bedroom. Find a place to store all the papers you'll need to manage your finances.
- 2. Decide who will take major responsibility for record keeping in your family.** Some of the tasks can be shared or delegated. But one person should take the lead.
- 3. Develop a regular schedule for bookkeeping and stick to it.** Set up a regular time during the month to balance the checkbook, fill in the income and expense records, and pay the bills.

Organizing with Files

The easiest way to keep track of your financial records is to set up a filing system. You'll want a place to store file folders. A metal filing cabinet, a desk drawer, a cardboard box that fits under the bed, or an accordion folder will do.

Divide your files into two major areas:

1. Current financial records
2. Permanent records

Every family's filing labels will be different. Divide each area into categories that make sense to you. Some suggestions follow.



Current Records

In the current records section you might have file folders for

- **Bills to be paid.** Put incoming bills in this folder. When they are paid, put them in the permanent file.
- **Papers to file.** Put all papers except bills into this file when you get them. You'll probably want to empty this "papers to file" folder once a month.
- **A notebook.** Use it to record current income and expenses.

Permanent Records

File headings for the permanent records area might include

- **Summary records.** Keep a list of where important records are kept, a list of financial advisers, and/or a summary booklet of financial records. This information will be most helpful in case of emergency. The extension publication *Getting Organized: Personal and Family Records*, PM-1121, provides worksheets to develop such summary records.
- **Annual spending plan.** Note what you expect to spend on such items as food, clothing, housing, and transportation. Also record actual spending.
- **Bank accounts.** Keep copies of current bank statements, deposit slips, and information from your financial institution.
- **Credit accounts.** Keep paid bills, a list of account numbers, and the phone number to be called if a credit card is stolen.
- **Household inventory.** Write down the value of major items you buy or receive as gifts during the year. Transfer this information once a year to a complete household inventory kept in a safe deposit box.
- **Housing.** If you are renting, keep a copy of the lease. If you buy a house, keep records of mortgage payments.
- **Insurance policies.** Keep a list of the companies and policy numbers in a safe deposit box.
- **Keys.** To eliminate the problem of lost keys, put extra keys in labeled, sealed envelopes inside a file folder.
- **Net worth statement.**
- **Paid bill receipts.**
- **Tax records.** Keep income records and a list of deductions during the year.

You don't have to save everything forever, but some records should be moved to "dead storage" for a time. Clean out current files once a year. Keep receipts and other documents used to prepare your tax return for at least six years. You may wish to keep your copy of income tax returns indefinitely.

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You may want to designate file folders for employment records, health records, appliance manuals and warranties, education information, memberships, retirement, and estate plans.

Using a Safe Deposit Box

Anything you can't replace or that would be costly or troublesome to replace should go in a safe deposit box or fire-proof safe. Here are some suggestions.

- Birth and death certificates
- Deeds to real estate
- Vehicle titles
- Household inventory (In the event your house burns down, this is a valuable record for insurance purposes.)
- Wills (Keep the original, signed copy of your will in a safe deposit box or with your attorney or the Clerk of the District Court in your county.)
- Marriage and/or marriage dissolution papers
- Military service records
- Contracts
- List of insurance policies



Recording Income and Expenses



You may want to record only cash expenditures in a notebook and rely on check stubs and credit card receipts for records of other spending.

One of the records you'll want to keep tells you, at a glance, what you earn and what you spend. The extension publication *Net Worth/Record of Income and Expenses Worksheet*, PM-1452b, includes a worksheet for recording income and expenses for one month. Another approach is to use a notebook for recording income and expenses in vertical columns or use a separate page for each expense category.

For whatever approach you choose, pick spending categories that help you understand where your money goes.

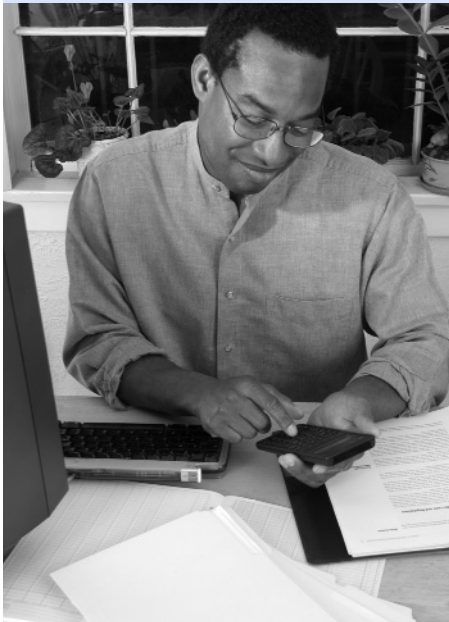
For example, you might put all food spending in one category or you may want two separate lists—one for groceries and one for eating out. Combine or divide categories as you see fit but keep it simple. The simpler the records, the more likely you are to keep them up to date.

At the end of the month, add up total income and expenses under each heading. Transfer these figures to an annual spending plan in which you have listed expected income and expenses for each month. Compare what you spent with what you planned to spend and then adjust your plan or future spending.

Figuring Your Net Worth

What is your net worth? To find out, just add up the value of all you own—your assets—and subtract the total of all you owe—your debts. This calculation will be needed to

- Apply for a loan,
- Get insurance coverage,
- Plot your financial progress, and
- Make plans for the future.



Some people keep track of their finances on their computer. To select personal finance software that is best for you, ask friends or consult software reviews in computer magazines or on the Internet.

At least once a year plan to review your files and do some housecleaning.

The net worth worksheet included in the extension publication *Net Worth/Record of Income and Expenses Worksheet*, PM-1452b, will help you take a reading of your financial pulse. The extra columns are for calculating your net worth in upcoming years.

Here are some guidelines for calculating the value of your assets.

- Ask a real estate agent to estimate the value of your house in today's market. Don't use the price you paid for it.
- Check a used car price guide for the value of your car.
- Make a conservative estimate of the value of household items. Anyone who has had a garage sale knows that furniture and appliances often don't bring what you think they're worth.
- Check the newspaper for the market value of stocks and mutual funds.
- Check your policy to find the cash surrender value of whole or straight life insurance policies.
- The current value of your pension is the amount you could receive if you quit your job today.

Here are some guidelines for calculating the value of your debts.

- The balance of your mortgage loan on your house may be on your monthly statement. If not, ask the lender for an amortization schedule of your mortgage.
- List the balance due on all charge accounts, installment accounts, and loans.
- Current bills include what you owe the dentist, this month's water bill, telephone charges, etc.

Now subtract—total assets minus total debts. That's your net worth.

Reviewing Your Files

At least once a year plan to review your files and do some housecleaning. January might be the best time for a record-keeping overhaul, since tax time will require you to look at your financial picture.

For more information, visit www.extension.iastate.edu/financial or the Iowa State University Extension office in your county.

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... and justice for all

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Net Worth Statement

What We Own

	_____, 20____	_____, 20____	_____, 20____
Cash on hand			
Checking accounts			
Savings accounts			
Money market funds			
Market value of house			
Other real estate (value today)			
Value of cars (if sold for cash)			
Furniture and appliances			
Jewelry, antiques, heirlooms (market value)			
Mutual funds			
Stocks (market value)			
Bonds (value now)			
Cash value of life insurance			
Cash value of annuities, retirement plans			
Amount other people owe us			
Other assets (itemize)			
Total assets			

What We Owe

Home mortgage			
Auto loan			
Installment debts			
Credit cards and charge accounts			
Current bills			
Other loans (itemize)			
Total debts			

Net Worth

(Total assets minus total debts)

