Bills in a Box

By Jean Chatzky

You probably think you have no idea how to sort and organize your finances. But in fact, you have a very good model. You know how to clean a closet. And you are going to use the very same skills to get your financial paperwork in tip-top shape.

In this exercise, a file box with a carry-handle becomes your closet. If you don't have one, you can pick one up at any office supply store and many drugstores. If you'd prefer not to spend the money, that's okay. You can use a filing cabinet or a drawer that can accept hanging folders. My preference is for the box, though, because it's portable. If you want to pay bills on your wireless laptop while sitting outside on your back porch, you can tote the box with you. If you need to visit your accountant, you can take it along so that you'll be able to answer any of his or her questions. Once you have the box, here's what you need to do.

Get the Right Stuff

When you clean your closet, you need to have the right hangers for pants, sweaters, suits, and so forth. When you organize your finances, you need office supplies.

- ☐ Hanging folders (Note: If you are married, get hanging folders in three different colors so that you can see quickly what's yours, what's mine, and what's ours.)
- ☐ Sharpie markers (if you have neat handwriting) or a label maker (if you don't)
- ☐ Manila folders
- ☐ Stamps and envelopes (so you're not always wasting time scrounging for postal supplies)
- ☐ Post-it notes
- ☐ Letter opener (to avoid paper cuts)
- ☐ Stapler
- ☐ Calculator
- ☐ Pens and pencils

Put the Box to Use

Before you start filing, neatly label your hanging folders. My suggested categories are: Taxes, Insurance, Health Care, Banking, Retirement/Brokerage (retirement accounts are many people's brokerage accounts), Credit Cards, Home, Auto, Legal, Estate (for a copy of your will, living will, health-care proxy, and other estate-planning documents), To-Do, To-Be-Paid.

You may also want folders labeled: Pets, Kids, Mom and Dad, Benefits, Flexible Spending, Travel.

Next, label manila file folders to put into each of the hanging folders. Suppose you have three credit cards MasterCard, Discover Card, and Banana Republic. You'll want a manila folder for each of them labeled with the year: MasterCard 2006, Discover Card 2006, Banana Republic

2006. When the year turns to 2007, you will make new manila folders labeled "MasterCard 2007," "Discover Card 2007," and so on. Once you pay your taxes and close your personal books on 2006, you can take all the 2006 folders out of your box and move them to a file drawer in which you have hanging folders set up in a similar way. That way your bills-in-a-box filing system remains portable, and you will be able to put your fingers on any important piece of paper at any particular point in time.

You'll eventually get good at figuring out what category needs its own folder. Give yourself leeway to create the folders you think you will need.

And that's it. Now you're set to start organizing using the Four Ds.

The Four Ds #1: Dump

Here are the steps you need to take. I call them the Four Ds. And remember, this is merely a big closet you're cleaning. It just happens to be a closet full of paper.

If you clean a closet as I do, the first thing you do after you buy hangers is pull everything off the racks and toss it onto your bed or the floor. Do the same with your bills and paperwork. If it's all sitting in a pile on your kitchen table, then move it to an area that can be messy for a little while. This can take anywhere from several hours to several days, depending on how much stuff you have to plow through and how much time you have to devote to the process. One thing is certain: You don't want to have to move your workstation halfway through.

Next, go through the other repositories for your bills and paperwork and add those to the pile. Your briefcases, tote bags, desktop, pocketbooks every one of them should be given the once-over.

The Four Ds #2: Distribute

When cleaning the aforementioned closet, you separate your clothing into piles things you want to keep, things you want to toss, and things you're not quite sure of. With paperwork, you do the same.

Take the statements or bills out of their envelopes. Open them to full size (unfolded they take up less room). Staple the pages of each month's statement together so they don't get lost.

If you find a bill that needs to be paid, write a check on the spot, put it in an envelope and stamp it so you don't have to deal with it again. Then immediately record the transaction in your checkbook register. Don't let the fact that you're spending time getting organized result in late fees on your credit card bills.

Then put the paperwork into the proper folders, oldest bills first, so that when you open a folder the newest statement is right on top.

The Four Ds #3: Diminish

In 2004, the *American Journal of Psychiatry* published results of a study that said chronic

hoarders people who seem to save things with more passion than the rest of us have decreased activity in the parts of the brain used for decision making and problem solving. In other words, there may be a clinical reason why you can't decide what to keep and what to get rid of. That's why you need rules. With clothing, the rule is: If you haven't worn something for two years, it goes. With bills and paperwork, the rules vary depending on what you're looking at. ATM receipts need to be kept only until you receive that month's bank statement and verify that the numbers are correct. Tax returns have to be kept for years and years.

Here's a list to keep you straight. Make a copy of it, then tape the list to the inside top of your file box.

Keep as long as you have the underlying asset (such as a house or a car):

Insurance policies

Receipts for important purchases like technology, art, antiques, rugs, jewelry (or anything else you may need a rider on your insurance policy to cover)

Receipts for renovations or other investments made in the property

Titles

Warranty papers

Keep forever in a safe or safe-deposit box; and keep a second copy, if possible, in your attorney's office or another safe location off-premises:

Adoption papers

Appraisals

Birth certificates

Citizenship papers

Custody agreements

Deeds

Divorce papers

Financial aid documents

List of credit card numbers, bank and brokerage statements, and insurance policies, and toll-free contact information

List of important contacts (lawyer, accountant, doctor, children, parents, etc.)

Military records

Powers of attorney (medical and financial)

Stock certificates

Wills/Living wills

Toss IMMEDIATELY:

Credit card solicitations

Marketing material included in bank and credit card statements

Throw out after ONE MONTH or when you reconcile with a bill or bank statement:

ATM receipts

Prospectuses and other information about investments you are considering making (if you're not going to read them, toss immediately)

Receipts for purchases (assuming you're keeping them or there's no warranty)

Throw out AFTER ONE YEAR or when end-of-year consolidated statements come in and you have filed the taxes for that year:

Bank statements

Brokerage statements

Cell phone, cable, telephone, and Internet statements (except when deducting for work-related expenses)

Credit card bills

Pay stubs

Social Security statements

Utility bills

Throw out AFTER SEVEN YEARS (when no longer needed for tax purposes):

Child-care records

Flexible spending account documentation

401(k) and other retirement-plan year-end statements

IRA contributions

Purchase records for investments

Records of charitable donations

Records on houses you've sold

Tax returns and backup documentation

What should you do with the stuff you toss? Shred it! A crosscut shredder for at-home use can burn through five sheets of paper at a time. Heavy-duty machines can even cut through old credit cards. You can buy a decent machine for about $100 to $150. And if there's not too much paper to go through, you can tear it up yourself!

The Four Ds #4: Due Diligence

Now that you have a "system," all that's left to do is maintain it. For that, you need three kinds of upkeep.

1. Daily Upkeep

What is the quickest way to turn a neat closet into a messy one? Toss today's dirty clothes on the floor. Every day, when the mail comes in, open up your file box, and open the bills one by one. Write checks (by hand or electronically), deduct the amount of each check from your check register (or electronically watch as the bank does it for you), stamp the envelope, and put it directly in the mailbox to go out the next day or on the counter with your keys so you'll remember to take it with you the next time you leave the house. Do not procrastinate and say you'll pay bills later, after you've had dinner, after you've had a glass of wine. Start this task and finish it in one swift motion.

And what's Plan B for the night that just doesn't work? The baby is crying, the dog poops on the floor, dinner & &oh, heck, you can't even think about dinner. You'll be lucky if you can grab a bowl of Raisin Bran in time for the *Friends* rerun at 11. In that case, put all the bills that need to be filed in the same place in your "To-Be-Paid" folder. Whatever you do, don't start separating them into separate folders. Don't put the insurance bill in the "Insurance" folder, the credit card bill in the "Credit cards" folder. You'll never see those bills again, and you'll get hit by late fees. Give yourself a break and deal with your bills as soon as you can, preferably tomorrow.

2. Intermittent Upkeep

Every time you open a new account, take out a new insurance policy, or do something else that requires record keeping, immediately make a new folder. Print a label, and figure out where the folder goes. The first thing that goes into the new folder is the contract you signed, so that if you ever need to refer to it, you know precisely where it is.

3. Annual Upkeep

Every year, after you've filed your taxes, remove last year's manila folders from the file box and place them in another set of hanging files in a filing cabinet or drawer. It is important to arrange both sets of files in the same way so that you'll know precisely where to find any document. You will even be able to tell another person where to find a particular document if needed.

Women spend an average of 55 minutes every day searching for stuff, including 8.2 minutes looking for a receipt. Now that you're organized, wouldn't you like to turn that **extra hour into extra cash**?