

5 Best Practices for an Organized Financial Life

By [Christine Benz](#) | 03-19-17 | 05:00 AM | [Email Article](#)

Tax season has a way of reminding all of us of our shortcomings in the record-keeping department. Try as we might to stash all our relevant tax documents in a single spot, there are inevitably mislaid 1099s, missing receipts for charitable contributions, and last-minute forays into investment providers' websites to unearth when, exactly, we made that last IRA contribution. Such frustrations are inevitably accompanied by a vow to get organized, once and for all.

Because oversaving documents is a key pitfall for even well-organized people, last week I wrote about [how to know which documents you should save](#) and which you can safely get rid of. Culling financial paperwork is an excellent first step, but don't stop there. What follows are some best practices for staying organized on an ongoing basis.

1. Streamline your financial life.

The first step in getting organized financially doesn't relate to papers or filing at all. Rather, it's to take a look at the totality of your financial life. Is it unnecessarily complicated? Are your investment accounts as streamlined as they can be, or do you have straggler accounts here and there: brokerage accounts you don't pay close attention to, bank accounts with piddling amounts of cash in them, and orphan 401(k)s from long-lost employers? Do you have six credit cards when a single card could serve your needs just as well? Start by creating a hit list for these unfulfilling financial relationships, then get busy severing them. A good rule of thumb is to turn to the "receiving" firm for help in executing these transactions. For example, if you plan to roll all of your IRAs and 401(k)s into a single IRA at one firm, the firm that's getting all the assets will usually be the most helpful in helping you sort it out, because they have the most to gain from keeping you happy.

2. Go paperless.

While paper documents have their backers, one of the best ways to maintain organized financial records is to reduce the flow of financial papers into your home in the first place. Doing so not only cuts down on financial clutter but it has a few salutary benefits, too. By opting for electronic document delivery instead of allowing these documents to pass through the mail, you'll lessen your risk for identity theft and other types of financial fraud. (Of course, that's only true if you've taken the necessary steps to protect yourself online, such as downloading the latest version of your browser and Internet security software, as well as maintaining robust passwords.) In addition, you could also save money by going paperless, as financial providers will typically waive account-maintenance fees for small accountholders who opt for electronic document delivery.

Before going paperless, however, it's worth doing a trial run of your financial providers' electronic document storage and retrieval systems. If there's information on your paper statements that you rely on again and again--for example, information about your cost basis--make sure you can readily find it on your provider's site, too. And before chucking your own records, make sure the information you'll be relying on online goes as far back as you need it to. As discussed in [this article](#), from 2011 through 2013, providers were required to begin tracking cost basis information for various securities. If your accounts predate those requirements going into effect, you'll need to retain your own cost-basis records. (Some investors maintain their own cost-basis records as a matter of course, as discussed [here](#); whether you do depends on your trust in your providers' record-keeping, as well as the amount of time you have to devote to such an effort.)

3. Use a password manager.

If you're conducting more of your financial business online--and most of us are, for convenience reasons as much as a desire to stay organized--keeping track of so many user names and passwords can be cumbersome. Of course, you can do it the old-fashioned way, by tracking this information in a document of all of your account information that is itself password-protected. The downside is that you'll still be responsible for changing up those passwords periodically, which is not something most busy people have an appetite to do. A better route, however, is to employ a software programs such as LastPass, Dashlane, and True Key; such programs securely store your online account information and passwords on your computer and smartphone, and regularly update your password.

4. Keep important information safe but accessible.

Although financial record-keeping is moving in a digital direction, for now you still have to hang onto at least some physical documents. For most people, a three-tier filing system makes sense: a safe-deposit box at the bank, a home safe or fireproof box, and a file cabinet (or electronic file cabinet on your computer). Safe deposit boxes are clearly the safest place to house valuables, but they cost money (and bigger ones are more expensive) and aren't terribly convenient. Because of those features, use yours to stash very valuable, hard-to-replace items that you use infrequently: birth, marriage, and death certificates, original Social Security cards, military discharge papers, and so forth. Valuable documents that you use more frequently and/or that take up more space, such as passports and past tax returns, are best kept at home in a fireproof box or in-home safe. Finally, files that you're updating on a regular basis can go into an in-home file cabinet with a lock on it. Alternatively, you can forgo a physical file cabinet and instead rely on a digital filing system on your computer.)

5. Develop and maintain a master directory.

A master directory--a document that lays out your key financial information, including basic details on each of your investment accounts--is the linchpin of an organized financial life. Not only can such a document serve as an invaluable reference point for you as you manage your affairs, but it can also provide a guide for your loved ones if, for some reason, they need to assist with your financial affairs at some later date. You can simply use a spreadsheet to serve as your master directory, or use the template included in this article. Whatever you do, plan to keep your master directory safe, either by password-protecting your file or keeping a physical document under lock and key in your safe deposit box or in a safe or fireproof box in your home.