

Gaining control of your finances often starts with simplicity; here are steps you can take in that direction.



1. CONSOLIDATE BANK AND INVESTMENT ACCOUNTS – have relationships with no more than two institutions

Over time, individuals open multiple checking and savings accounts, sometimes using them to save for a particular purpose. It is also not uncommon to open accounts with numerous financial institutions. However, having your finances “spread around” is rarely advantageous because it does not easily allow you to see the big picture.

Instead, it is prudent to minimize accounts and keep the funds at no more than two entities: a local bank and a financial custodian.

Relationship #1 = A LOCAL BANK

Your checking and savings accounts should be kept at the same institution, generally a bank with a branch close to your home. You should have only one checking and one savings account.

- The checking account should have an average balance to cover 1–1.5 months of average monthly expenses.
- The savings account should have enough cash to cover 4 months of average monthly expenses; this is your emergency fund.

EXCEPTIONS to the above:

- If your emergency fund exceeds four months' expenses, you can put the excess cash in a Certificate of Deposit at the local bank where you maintain your savings account.
- If you are married, in addition to your personal checking or savings account, you may want to maintain a joint account with your spouse. However, if you set up a joint account, be clear in advance about the purpose of the account, who will make withdrawals, and “manage the account.”
- Inherited money should be kept in a separate account to prevent it from being considered marital property in the event of divorce. Never add money from a non-inherited source to that account, or the account will lose its designation as “separate property.”
- If you spend much time outside the United States, you might need a foreign bank checking or savings account. *Remember that a U.S. citizen or resident must file a Foreign Bank Account Report (FBAR) if the aggregate value of those foreign financial accounts exceeds \$10,000 during the calendar year.*

**IF THE EXCEPTIONS DON'T APPLY,
LIMIT YOURSELF TO ONE CHECKING AND SAVINGS ACCOUNT.**

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In selecting a local bank, consider:

- a. Are balances FDIC insured?
- b. Is there a nearby branch open during the hours you plan to visit?
- c. Is the branch staff helpful? Is there a reasonable wait time to see a teller?
- d. Do they pay interest on checking account balances? (a few banks do)
- e. Do they charge to maintain a checking account? (find out the fee or minimum balance required to avoid the fee)
- f. Are their savings account interest rates competitive?
- g. What are their fees for checks or any transactions you anticipate using (wire transfers, certified checks, etc.)

Relationship # 2 = An INVESTMENT FINANCIAL CUSTODIAN

An investment financial custodian is a firm that specializes in holding individual stocks or bonds, as well as mutual or ETF funds. While these investments are NOT FDIC insured, it is prudent to select a large firm that carries SPIC insurance. Securities Investor Protection Corporation or SIPC insurance.

SIPC coverage provides ...

- Up to \$500,000 in total coverage per customer (or per account if the accounts are of separate capacities) for lost or missing cash and securities assets from a customer's accounts held at the institution.
- Up to \$250,000 can be applied to protect cash in a customer's account that has yet to be invested in securities.
- Protection in case of unauthorized trading or theft from an account.

Fidelity, Schwab, and Vanguard are large, well-known financial custodians. Working with one of the big three gives you other advantages. (SEE HANDOUT 12.31 What is a Financial Custodian and How to Choose One)

- You can elect to have a “self-directed” account and avoid “asset under management fees.”
- You pay no commission if you buy the financial custodian's funds (sometimes called house funds). This can be advantageous if you invest small amounts at a time.

Using your local bank to hold your stock/bond funds is generally not prudent.

While banks offer “advisor services,” they charge fees which can be avoided by having a self-managed fund with an investment financial custodian such as Fidelity, Schwab, or Vanguard.

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Even though you select one financial custodian, you will likely have multiple accounts with them.

1. A taxable Investment account (NON-retirement account)
2. A Traditional Individual Retirement Account (IRA)
3. A ROTH Individual Retirement Account (ROTH-IRA)

Some people may also have

4. An Inherited Traditional Individual Retirement Account (Inherited-IRA)
5. An Inherited ROTH Individual Retirement Account (Inherited ROTH-IRA)
6. 529 College Savings Plan(s)

Keeping all investment accounts at one financial custodian allows you to track assets easily. All firms have apps that list each account's balance and show TOTAL holdings.

There is NO advantage to having investment accounts at different institutions. Have all your investment accounts – including taxable and retirement accounts with ONE financial custodian.

2. ROLL OVER ANY RETIREMENT ACCOUNTS FROM OLD EMPLOYERS TO YOUR FINANCIAL CUSTODIAN

Many individuals are fortunate to be able to participate in a 401K or 403B offered by their employer.

As an active employee, you have no control over where your employer holds your account; that choice is theirs. However, once you leave that employer, you should immediately “roll over” the balance into an account you control.

You can merge your 401 (k) or 403 (b) with an IRA established with your financial custodian. However, you must know if the retirement account was “traditional” or “Roth.” Proceeds from a Traditional and a Roth retirement account can NEVER be mixed.

3. GO PAPERLESS

There is almost no reason to keep paper documents except for an original wet-signature signed Will (often held by your attorney). Instead, download the financial records you want to keep to your computer. Even tax returns should be saved electronically.

If you are tech-savvy, saving documents to the cloud is best. It will allow you to access and update them from multiple devices. Popular cloud storing services include:

- One drive
- Google Drive
- Dropbox
- I Cloud
- iDrive
- Box
- Mega
- P Cloud

- 4. SET UP A COMPUTER FILING SYSTEM** with folders, subfolders, and file names that identify the contents. This will allow you to find documents quickly.

It is advised that when setting up a filing system, you create folders and subfolders to make locating files easy. Here are some suggestions for folders and subfolders:

IMPORTANT DOCUMENTS

- Birth Certificate
- Driver's License
- Social Security Card
- Marriage License
- Passport
- Passwords and Login Information Health Insurance cards, including Medicaid, Medicare, and Private Insurance cards
- Divorce Decree (and records including settlement agreement)
- Will and Trust Documents – or any files relating to death (these can also be stored with financial records)
- Death Certificate (granted, it is hard to store your own), but you may have some for family members

FINANCIAL RECORDS

- Bank Statements – Create subfolders per institution and download the 12/31 statement for each account annually.
- Cash Flow Statements (Budget) – one file with a different worksheet for every year
- Personal Financial Statements – one file with a different worksheet for PRS as of 12/31
- Tax Returns: Create a separate subfile for each year, keep an electronic copy of any paperwork submitted to your accountant, and most importantly, keep an electronic copy of your entire tax return.
 - 2025
 - W-2 forms
 - 1099 forms (income received)
 - 1099 form for Required Minimum Distribution from Retirement Accounts
 - Social Security Statement
 - Mortgage Statement showing interest and real estate taxes paid
 - List of Donations to Charitable Institutions
 - TAX RETURN (all pages)
- Credit Reports – the full report, not your score.
- Credit Card correspondence
- Social Security statements and correspondence

PROPERTY RECORDS - Create a separate folder for each property

- Leases or the Deed
- Mortgage or Loan Applications: When you apply for a loan, keep all communication in one file, including the backup information you provide to the institution.
- Capital Repair invoices (critical to establish the cost basis of a property)
- Real Estate Tax Invoices
- Insurance Policies – keep all prior policies – sort by date of coverage
- Loan Payoff Statements (ALWAYS KEEP)

5. TITLE ALL SAVED COMPUTER FILES

Take the time to give every computer file a name that will make it clear what It is also critical to name each file so that it is easy to identify its contents.

One suggestion is to name files with the Year, Month, and Date at the front of the file name, as the computer will sort the files in date order.

- 6. HAVE ALL CHECKS DIRECTLY DEPOSITED INTO YOUR CHECKING ACCOUNT.** While it is common for payroll checks to be directly deposited, instruct any individuals who pay you money regularly to deposit the payment into your checking account directly. Provide the payer with all your bank information, including routing number, account number, and address.

Payments might include social security payments, rental tenant income, and refunds. Avoid having people mail or hand you a check.

7. USE ONLY ONE CREDIT CARD – and use only one for most transactions.

Access to credit is essential, and while it is prudent to have three to four OPEN credit cards, only use one regularly. The exception to this suggestion is if you use a separate credit card for business expenses. By keeping all charges on one card, it will be easier to track activity.

Periodically download all credit card transactions into an Excel (or Numbers) worksheet. Keep one worksheet for all transactions in a year. Code each transaction with an “expense code” that makes sense to you.

At the end of the year, sort the entries by code and subtotal to see how much you spent on each category. This is the best way to prepare an accurate Cash Flow Statement.

8. SET UP CREDIT CARD PAYMENTS TO AUTOPAY – Provided you have sufficient funds in your checking account, it is prudent to set up all your credit cards on autopay and pay the FULL BALANCE due. This eliminates the chance of forgetting to pay a routine expense when traveling. However, if you do this, it is still essential to review all charges. You can always object to a charge if you find an error – even if you paid the bill in full.

9. KEEP AN ELECTRONIC LIST OF ONGOING CHARGES

- Keep a computerized list of all ongoing charges.
- Review the list periodically to ensure that you still use the service. Remove Any Services You Don't Need or Regularly Use.

The list becomes particularly helpful if you have fraud and need to cancel a credit card. In many cases, the vendors are notified automatically that the card has been changed, but in some cases, you will need to inform the vendor to start charging a new card.

10. PREPARE A DEATH FOLDER – ANNUALLY PRINT CRITICAL FINANCIAL RECORDS, STORE THEM IN ONE PLACE, AND LET YOUR FAMILY KNOW THEIR LOCATION.

While most records should be paperless, it is a good idea to print the following documents annually, place them in a folder in your home, AND let your family members know of the folder's location so they can access it in case of your demise:

- An up-to-date Personal Financial Statement (recommend preparing annually on December 31st) lists everything you own and owe (see handout 4.00). Also, include one statement for every bank, investment account, or debt listed.
- A list of ongoing income sources and expenses, including any subscription services you use. (see handout 3.00)
- Your most recent tax return
- Your signed Will (or a copy of the original is with an attorney)
- Beneficiary forms for your 401K/403B or IRA – remember these SUPERCEED your will.
- A copy of your lease or deed to any property you own
- A list of professionals you trust, such as accountants, lawyers, insurance brokers, and financial advisors, with a note regarding what they charge for services.
- The Declaration Page for active insurance policies (showing the carrier and coverage). The full policy should be stored electronically.
- Passwords and Login information for vital online accounts – especially your email and social media accounts

**Preparing and maintaining your “death folder” is a GIFT TO YOUR HEIRS
for when you are not here to help them access the records
and they need to take care of your estate.**