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Filing your life

Essential tips to reorganize and declutter your files

By Lisa Scontras

With computers, online billing, scanners and all the latest and greatest electronic gadgetry, why is it that higher than ever mountains of papers are still cluttering up our homes.

"In our experience, most people habitually keep far too much paperwork, mainly because they have never been taught what is important to keep and what is not," says Donna D. McMillan, professional organizer and principal of Island Organizers.

"No matter how paperwork enters our homes and offices, the deep-rooted belief that we must keep it 'just in case' is still very strong."

Part of the problem, according to Karen Simon, is that ironically, computers have enabled us to generate even more paper.

"Before computers became an everyday part of our lives, people went to libraries to research information and when their need for the information was complete, the books were returned," says Simon, professional organizer and McMillan's partner. "Now, we research a subject on the Internet and tend to print out and keep the information we find."

Filled-to-capacity filing cabinets are only part of the paperwork dysfunction problem.

According to McMillan, the most common filing cabinet mistake is setting up a system that is not user friendly. If you find that most of your current files live on top of your desk, you have to go through every folder to find anything yet have no trouble accessing outdated user guides to gadgets you no longer own, you're not alone.

Getting organized and staying that way requires setting up a filing system that works - one that makes sense, encourages you to use it, and has a place for everything.

Getting Started

Put away the mops and the brooms, ditch the rubber gloves and roll up your sleeves. This year's spring cleaning p



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under labeled filing cabinet.

There is a Web site - [Clutters Anonymous](#) - and a 12-step program to help you, but Island Organizers say getting control of the paperwork in your home can be done in three critical steps: Sort, Create folders and Categorize.

First figure out what to keep and then decide where to put it.

A good rule of thumb is to keep hard copies of supporting documents for your tax returns for five to seven years. This includes W-2's, 1099's, statements documenting investment income, expenses records, receipts and paid bills, etc. Every deduction should be backed up with a receipt. Check with your accountant for advice.

"When making charitable donations such as books, clothing, household items and office equipment, be sure to ask for a receipt from the organization receiving these items," says McMillan.

Go through the paperwork you have piled up on your desk and sort everything into categories - tossing or shredding unwanted or outdated items. Keep in mind that 80 percent of what we file never gets looked at again.

- Keep all documents related to real estate purchases, stock purchases and car titles indefinitely.
- Keep bank statements, medical bills, credit card statements and pay stubs for one year in case you need them to support a deduction/claim on your income tax form.
- Keep the last statement of the year for your 401k, mutual funds and pay stubs to show the year-end summaries.
- Keep insurance policies that are current. Discard expired policies.
- Keep phone and utility bills if they are tax deductible. Check with your CPA for advice of specifically what to keep in your circumstances. Otherwise, discard them.
- Keep original wills in your home filing cabinet rather than a safety deposit box.
- Toss warranty and instruction manuals for equipment you no longer own.
- Shred bank and credit card statements older than one year unless you need to document a charge for tax purposes.
- Shred medical statements older than one year unless you need them for tax purposes or want them for your medical records.
- Discard outdated mutual fund annual reports.
- Discard records of vehicles you no longer own.
- Discard ATM receipts after one month or you've checked against bank statement.
- Keep the most recent airline miles statements.
- Keep the most recent retirement/401k statements.
- Keep most recent credit report.

Next, once you have like items together - insurance, banking/credit, cars, home, medical - start to create folders. Then group the folders into categories and label them.

This is a key step in your extreme filing cabinet makeover - so pay attention.

If you've always been an A to Z- type person, Island Organizers offers an alternative method of filing that divides the drawer into categories - making it easier to find what you're looking for when you need to retrieve something.

McMillan suggests labeling with a category and a sub-category. For example, take your pile of papers that you've labeled "Home" and sort them again into sub-categories: Home-Purchase, Home-Mortgage, Home-Improvements, Home-Property Taxes. The category of "Credit Cards" can be sub-divided into Credit Cards-American Express, Credit Cards-Mastercard; and "Cars" can be divided into Cars-Honda, and Cars-Truck.

Colored folders can help to represent each of the categories of files in the drawer - keeping major categories together. For example, all of the folders in the Home category can be red - Cars folders can all be orange.

"Blue can represent insurance documents and policies - health, life, auto and homeowners," suggests Simon, who teaches workshops at the University of Hawai'i. "White can be used for tax related items."

She says once people realize that the key to an efficient filing system is categories, a light goes on in their head.

"I like to explain that it is like your kitchen cupboards, all the plates are stacked together, the cups are together and the bowls are nested together," Simon continues. "It's the same in a filing system. All the insurance policies get put together, items that have to do with money and finance go together, household documents go together."

McMillan even has a solution for all of the miscellaneous papers that don't really fit into any category.

"Paperwork that is kept in our permanent records - airline information, medical records, resource materials, etc. - is stored in the General Information category and can be color-coded yellow," says McMillan.

To address the never-ending flow of paperwork that comes into the home daily in the form of mail, from work,



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children's school, and the Internet, McMillan suggests including several "action files" to manage paperwork requiring your immediate attention.

Label three folders with "To Call," "To Read," and "Waiting for Reply" and review these files daily to take the required action.

To organize tax documents, create folders into tax categories such as medical bills, home improvement receipts, mortgage bills, charitable donations, bank and financial statements. This will help to keep tax paperwork easier to access when the time comes.

"The easiest method I can think of is to ask your tax accountant to give you a list of categories that pertain to your tax situation," advises Simon. " Use those categories to create labels for folders - each folder representing a category."

Simon recommends you write the category or reason for an expense right on receipts as you collect them. This will jog your memory and make it easier to categorize and file it later.

And for those who really aspire to going "paperless," the IRS does accept scanned items as legal and admissible. Simon, who specializes in computer consulting, says that inexpensive, simple and organized software programs are available to help those who are more technically advanced.

"I really think that there is some fear, hesitancy and a trust factor in our minds about losing the information," she says. "Paper is easier to hold on to. I argue that a CD can hold an entire file cabinet of scanned information and copies of the CD can be stored off-site, say in a safety deposit box for security."

It has been said that 80 percent of the clutter in most homes is the result of disorganization, not lack of space. If you have so much stuff that you often can't find what you're looking for, you're not alone. The National Association of Professional Organizers cared for more than 70,000 unorganized people last year. For more information about Island Organizers, go to islandorganizers.com.

For more information on how long to hold on to supporting tax documents, go to irs.gov/publications and go to [publication 552](#). **HS**

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