

Maintaining Your Family Business Records

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Maintaining Your Family Business Records

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WHAT KINDS of records are needed for figuring income tax? Where should insurance policies be kept? What documents are needed to collect social security? How long should canceled checks be kept? Knowing the answers to these and other questions about the family's business affairs is important. This information can save tears, time, trouble, and dollars.

There is a business side to family living, including keeping accounts of spending and earning, family insurance, investments, taxes, using credit, planning your estate, and just keeping track of important papers and possessions. You will find it easier to handle the business side of family living if you know:

- Which business papers to discard—which to keep,
- how long to keep business papers, and

- where to keep business papers.

Have you ever needed an insurance policy, an installment contract, or a receipt for payment on a loan in a hurry and not known where to find it? To avoid this kind of confusion and frustration, business papers should be systematically listed, filed, and kept in such a way that they are readily available when needed. Some records can be kept in the home, others should be stored in a safe place away from the home, probably in a safe deposit box.

This bulletin was written to help families in Oregon arrange their financial affairs in a business like way. Many of the ideas you may already be using, but some of them may be new to you. Suggested forms that families can use in keeping records and storing their business papers will be found in the Appendix.

Valuable Papers

What to Keep—How Long—Where

Family business papers are kept for many reasons. In deciding whether or not a business paper needs to be kept, families should answer the following questions:

- Does it protect you if someone else makes a mistake?
- Does it give necessary information about a transaction?

- Is it legal proof of a business transaction?
- Can it help you in filing your income tax reports?
- Does it provide protection if official records are destroyed?

If your answer is yes, the business paper is important and should be kept.

Keep these in your home file

Insurance policies (life, automobile, health and accident, and property). The original policy is held by the company. Keep your copy of the policy at home where you can review it often. You could get a duplicate if you know the company and policy number. Keep this information in a safe deposit box.

Tax returns (income, real estate, personal property, federal, state, and local). Keep at least six years. The federal Internal Revenue Service may question a return for any reason within the first three years after the due date of the return. If the taxpayer omits more than 25 percent of his gross income from the return, it may be checked at any time up to six years from the due date of the return. If fraud is involved, a return can be questioned at any time.

Bank statements, deposit slips, check stubs, and canceled checks. Keep these at least three years and six years if used as evidence in tax deductions. Checks can be helpful in keeping the family accounts of spending.

Receipts, receipted bills, sales slips, and annual statements of investment earnings. Keep for six years, especially if used as evidence for income tax purposes.

Social security stubs. The social security card is carried with you. If it is lost, the stub will help you obtain a duplicate. Check every three years to make certain your earnings are recorded accurately. Write: Social Security, Baltimore, Maryland 21235. Some people prefer to keep social security stubs in their safe deposit boxes.

List of credit cards. Numbers, companies, and addresses of companies.

These are important if credit cards are lost and you must notify the company.

Copy of will or wills. An unexecuted (unsigned) copy of wills should be placed in some accessible place, such as a home file. It is a good idea for executors, trustees, or guardians nominated in your will to be informed of the contents of the will and to review your will occasionally to see if it is still up-to-date.

Household inventories. (See Form A in the Appendix.) An inventory is helpful in determining insurance claims in case of fire or theft. It is also helpful in deciding how much property insurance to carry and as a reference in checking the age or price of an item. Another copy of this form should be kept in a safe deposit box.

Net worth statement. This is an important financial record; it tells you what you are worth—financially. It can tell you what progress or lack of progress your family is making, and it gives a clear statement of the liquidity of the family's holdings and is a guide for saving in the future. (See Form B in the Appendix.)

Records of expenditures and income. (See Form C in the Appendix.)

Health records. These records include immunizations, health examinations, and names of medical advisers.

List of financial advisers. (See Form D in the Appendix.)

Employment records. These records may be needed to obtain retirement and other job benefits or for making applications for other jobs. Proof of a wife's earning may be necessary for several purposes, including possible estate tax savings.

History of income (income tax, social security, and other payments).

Educational records (teacher certificates, diplomas, and grades).

Guarantees and warranties. Write the date and place of purchase on the guarantee or warranty. Keep records of the type and date of repairs and the persons who make the repairs.

Reference materials (information on appliances, home furnishings, insurance, and so forth). This information may be filed to use when you decide to purchase a new item.

List of items kept in safe deposit box and a list of important papers in your billfold.

Keep these in a safe deposit box

Birth certificates, adoption papers, marriage certificate, divorce record, and death certificates. If you do not have these records and should have them, contact the Vital Statistics Division, the State Department of Health, or check with the county clerk of court.

Military service records. Discharge papers are needed to qualify for many veterans' benefits. Have your papers recorded in the county recorder's office. If your service records are lost and not recorded, it is a difficult and lengthy procedure to obtain copies of government records.

Citizenship papers.

Passports.

Abstracts of title and deeds (including burial lot deed). Although the burial lot deed and perhaps the will are in the safe deposit box, burial plans may need to be more accessible.

Wills. Put the original executed copy in a safe deposit box, your attorney's file, or the office of the clerk of the dis-

trict court. The safe deposit box is sealed upon death of the owner. A representative of the tax commission (often a bank employee), the attorney, and a representative from the estate will inventory the contents of the safe deposit box and remove the will within a few days after death.

Mortgages, security agreements, installment contracts, and other evidences of your debt (notes, contracts, liens). Also, keep evidence for at least 10 years that a debt has been paid, since legal actions on written contracts can be brought within 10 years.

Evidences of what others owe you (contracts).

Automobile title, truck title, and other transportation titles. The title is needed when you sell a vehicle or borrow money using it as collateral. If the vehicle is stolen, the title is evidence of ownership.

U. S. Savings Bonds. U. S. Bonds can be replaced, but it may require several months.

Stock and bond certificates. The broker may hold these certificates for you. To replace lost stocks or bonds can be expensive. It is advisable to attach purchase records to certificates.

Patents and copyrights.

History of income, income tax, social security, and other payments.

Household and other inventories (see Form A in Appendix). In case of fire, an inventory kept at home might be burned, so the copy in your safe deposit box would be needed. Include photographs of rare valuable items (antique guns, rings, paintings, etc.) for identification purposes as well as for insurance claims.

List of financial advisers. (See Form D in Appendix.)

Financial Records

Financial records are important to families. They

- aid families in filing income tax returns
- show financial progress or lack of progress
- help control family expenditures
- promote family understanding of spending
- guide families in planning for the future
- help families in obtaining credit
- show families what they are buying with their money.

Financial accounts

Many family account books are available on the market. They vary in ways of classifying expenses, making plans for spending, and amount of detail about spending. You may want to buy a record book and make the necessary adjustments for your family, or you may want to design your own account system. Designing your own is one way of being sure that it fits your family's spending patterns. If you are going to design your own record book, you will need to consider these questions:

- How will you record income from various sources?
- What kinds of headings or classifications for expenditures do you want in your records?
- What kinds of expenses are to be included in each of these classifications?

- How much detail do you want in your accounts? For example, do you want to know how much is spent by each person in the family for clothing or do you want the total amount spent for clothing?
- How do you want to keep records of insurance and investment payments?
- Do you want to separate tax-deductible expenses from your other expenses?
- Certain kinds of expenses come due monthly or only occasionally. Do you want to separate these from day-by-day expenses? How can you do this?
- Do you want to include a place for recording your spending plan so that you can analyze your spending from time to time?

Families use many types of accounts, and the type used must fit the family situation.

Using the *stub in the checkbook* is one way of keeping family accounts. This is a record of when payment was made, to whom money was paid, and the amount of the payment. One disadvantage is that like expenditures are not kept together, and it may be difficult to get a clear picture of family spending.

A *spending diary* is another way of recording spending. Usually a diary includes the date of purchase, a description of the item purchased, and columns for income and amount of expenditures. A diary divides income and expenditures and total expenditures can

be readily determined. Some disadvantages of this system are that it requires a sorting out of expenditures at income tax time, and it is difficult to analyze expenditures because amounts spent for like things are not necessarily together.

Probably the best type of account is the *column* or *ledger* (for a suggested form that can be adapted to your family situation, see Form C in the Appendix). Ledgers make analysis of spending easier. Expenditures for like items are listed together. It is possible to total monthly spending and compare it with spending plans. This method of keeping accounts is easy to adjust to the family situation.

If families keep financial accounts, they must:

- want to keep them
- have a record form—purchased or designed
- keep the book up-to-date; do the posting regularly
- have one person responsible for posting or recording
- keep all sales slips, receipts, and so forth
- know what information is desired
- use the records in making family financial decisions, and
- not to try to account for every penny.

What do accounts tell about the family?

A record kept and not analyzed is useless. There is no point in keeping records just for the sake of keeping them. Records will not add to your in-

come; they will not insure against suffering a loss; but they will help to determine where the money came from and where it went.

If they are studied, records show what happened financially for your family during the year, and they could show you how to make changes in the future. As you look at your records, ask yourself some of these questions:

- Is our food adequate? How much of the food cost is for snacks and food away from home? Are we sacrificing other desirable things to purchase expensive foods?

- Do all of our family have suitable clothes? Has any one member an unreasonable share? Why? Do we pay prices that are reasonable for our income?

- Are we allowing enough for depreciation and repairs for housing? Is there evidence of excessive costs due to keeping up with the Jones'? Can we afford to hire someone for small repairs or can we learn to do them ourselves?

- Where are the leaks in our spending? How can we reduce them?

- Are we spending too much or too little for community activities? For social activities? For education?

- How much are we saving? Are we saving enough to reach our goals? How are we saving the money? Is it earning us money, too?

What are you worth?

A yearly net worth statement will supply a lot of information about your financial situation. It is a relatively simple kind of record for the average

family to keep, and it reveals a wealth of information.

- It tells you what you are worth—financially.
- It can tell you what financial progress or lack of progress you have made in this period of time.
- It gives a clear statement of the liquidity of the family's holdings and is a guide for saving in the future.

A net worth statement consists of listing the family's financial holdings and obligations—what the family owns and what the family owes (see Form B in Appendix). The difference between these two amounts is the family's net worth. It can be a minus amount when what you owe is greater than what you own; or it can be a positive net worth when what you own is greater than what you owe.

Appendix

Form A

HOUSEHOLD INVENTORY*

(Keep a copy in the home file and one in the safe deposit box)

Description of article	Date purchased	Purchase price	Depreciation schedule (optional)				
			19....	19....	19....	19....	19....

* To make your inventory, you may want to include the following sections:

- | | | |
|----------------|------------------|----------|
| Kitchen | Bedroom—daughter | Attic |
| Living room | Bathroom | Closets |
| Dining room | Utility room | Basement |
| Bedroom—master | Den or study | Garage |
| Bedroom—son | Hal's | |

Form B
NET WORTH STATEMENTS FOR TWO YEARS
(Keep in home file)

WHAT WE OWN	, 19.....	, 19.....
Cash on hand
Checking accounts
Savings accounts
Value of house
Other real estate (value today)
Value of cars (if sold for cash)
Furniture and appliances
Jewelry, antiques, heirlooms (market value)
Stocks (market value)
Bonds (value now)
Cash value of life insurance
Cash value of annuities and other retirement plans
Amount other people owe me
Miscellaneous
TOTAL ASSETS
WHAT WE OWE
Mortgages and liens
Balance due on car
Installment debts
Personal debts
Other bills
TOTAL DEBTS
NET WORTH (assets minus debts)

INCOME			OCCASIONAL AND MONTHLY EXPENSES		EXPENSES DEDUCTIBLE FROM INCOME TAX			
Date	Source	Amt.	Item	Amt.	Contributions		Medical/dental care	
					Item	Amt.	Item	Amt.
			Rent					
			House payment					
			Real estate tax					
			Fire insurance					
			Liability insurance					
			Fuel for heat					
			Telephone					
			Garbage					
			Water					
			Electricity					
			Bank charges					
			Dues					
TOTAL INCOME					TOTAL		TOTAL	
SAVINGS AND INVESTMENTS (Savings, accts., government bonds, stocks, bonds, etc.)					Interest		Taxes	
Item		Amt.			Item	Amt.	Item	Amt.
TOTAL SAVED			TOTAL SPENT		TOTAL		TOTAL	

Form C (Continued)

FOOD			CLOTHING			TRANSPORTATION			HOUSEHOLD OPERATIONS			GIFTS					
Item	Amt.		Item	Amt.		Item	Amt.		Item	Amt.		Item	Amt.				
		TOTAL				TOTAL				TOTAL				TOTAL			
PERSONAL CARE			EDUCATION/ RECREATION			FURNISHINGS/ EQUIPMENT											
Item		Amt.		Item		Amt.		Item		Amt.		Item		Amt.			
TOTAL				TOTAL				TOTAL				TOTAL					

Form D
LIST OF FINANCIAL ADVISERS
(Keep a copy in the home file and one in the safe deposit box)

Name	Company	Address	Phone No.
Lawyer(s) _____			
Executor of will _____			
Banker(s) _____			
Clergyman _____			
Doctor(s) _____			
Employer _____			
Stock broker _____			
Other financial advisers _____			
Life ins. agent(s) _____			
Person at company responsible for group insurance _____			
Health insurance agent _____			
Car insurance agent _____			
Household insurance agent _____			
Nearest social security office _____			
Nearest vet. administration _____			
Other—lodge retirement plans, etc. _____			