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Things You Control

Declutter your finances to get a clearer picture

Tax time is the giant document collection season. Many documents can be thrown out after filing taxes. Some must be kept for a few years. Others must be kept permanently. Here are some guidelines on how to attack this paper pile and de-clutter your files.

Keeping proper documentation is important. Having the right documents helps if you are audited. They also help if you want a loan, need to prove you own an asset or to support you in a lawsuit. Declutter your files to keep only essential documents. This can give you clarity about your money matters. Finally, well-organized critical documents are so useful in case of emergency and to heirs. This applies to physical files and digital files.

Guidelines for keeping documents:

Tax-related documents: Keep them for 3 years after filing your return. Or, keep them for 2 years after you pay the taxes, if that is later. This is what the IRS requires. These rules apply to other records you use for deductions on your return, (credit card statements, utility bills, auto mileage records, and medical bills, etc.). But, different rules apply to business taxes or if you have under-reported your income.

Real estate and investment records: Keep statements until you sell the asset. If the sale is reported on your tax return, follow the rules for tax records.

Investment and Asset documents not used for taxes:
Retirement plan statements: Keep annual statements until you close the account. Keep records of nondeductible IRA contributions indefinitely. They prove you paid taxes on the funds.
Social Security: Check your Social Security account. Verify that Life-to-date incomes are accurate before throwing your W2 statements. Inaccurate records mean lower benefits.

Loan documents: Keep documents and proof of payment until the loan is paid off. After that, keep proof of final payment.

Healthcare Documents & Medical Expense Receipts: If used for taxes, follow the guidelines for tax documents above. If used for Insurance claims - keep them until the claim is filed and paid.

Ownership Documents: (e.g. house titles, Car titles) Are generally kept as long as you own the asset and its tax-related matters are complete.

Legal / Identity Documents: Keep them indefinitely including. These are documents like: birth, marriage, and death certificates; divorce decrees; citizenship and military discharge papers; education transcripts; and Social Security cards.

Also, do pay attention to which documents must be kept in a Physical form and which can be kept Digitally. And, pay attention to where they are kept – A safe you control or in a digital storage you control. Companies may delete digital documents in your online account if you close it. The document retention timeline is subject to the company's rules.

May is a great month to review and declutter your files since the tax season (April) likely required efforts to compile all key documents. It's also a great time to update your I.C.E. (In case of emergency) folder.

And, the time spent doing this is productive: Less clutter equals better clarity.

Why Things You Control are Important

In Investing (as in Life) we can: hope, worry or plan.

When we hope or worry, we tend to look at the future and focus on things we do not control. We hope the markets will get higher and we will make money. Or we worry that markets will collapse and we may lose all our money. Yet, deep down in our hearts, we know that whether our thoughts are optimistic or pessimistic they simply do not influence future outcomes..

We can also look at the future plan-fully. When we do this we tend to focus on the things that we do control. And, by picking activities that are in our control and that are important to our future we have a far better chance of achieving our goals. Of course, life holds few guarantees! So, for example, while we all hope that our favorite stock pick will be a high performing stock, not implementing a properly diversified portfolio is plainly irresponsible to our financial well-being.

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Founder and Investment Advisor

Our Financial Planning Principles

Without a Purpose, accumulating money can become a soul-less task. A financial plan gives your savings a purpose.

It's OK to be broke when you are young - not so when you are old: Studies show that people typically tolerate risk and uncertainty better when they are younger.

Getting down from Mount Everest is as important as getting up: Pay as much attention to accumulating money before you retire as you do to consuming it after you retire.

Planning is life-stage dependent: The principles of saving and investing money in your early years are very different from the techniques that you use in retirement to generate a reliable income stream.

Financial confidence comes from being on top of your taxes, protecting yourself from risks, having a clear picture of your investments and debt, and specific targets for saving and spending.

Achieving financial independence requires a careful balancing of Income, expenses, taxes, and savings. This balancing act (planning) is not intuitive, nor can it be done well on the back of an envelope, but effective plans do give more peace of mind.

Identify your true risks (in contrast to investment volatility, labelled as risk, or uncertainty) and take action to manage them using the correct risk management tools. Pick the right tools for the job - investments won't manage the risks you face, risk products (insurance) won't deliver the growth and flexibility you need.

Taxes remain important even after you retire. However, in retirement your investments become the principal source of your income and hence drive your taxes.

In matters of health: it's your body but your doctor knows better how your body works. So it is with your money: A partnership with an advisor will help you to reach your financial goals - you save, they help your savings grow. Together you can get there faster.