Thirty-seven must-have files for personal organization

It is always good practice for your clients to organize their financial and personal affairs. Order makes life much easier and more convenient, and helps clients prepare yearly income taxes, address family financial needs and relieve family members of considerable inconvenience if they become incapacitated or die.

Organizing a personal filing system

I encourage clients to set up separate files in their personal file cabinets or desk drawers. The following list is a guideline for creating a filing system. Items marked with an asterisk (*) should have a separate file for each individual item within that category.

1. Copies of wills and any codicils. Originals should be secured with a lawyer.
2. Copies of powers of attorney. Originals should be secured with a lawyer.
3. Living will and durable power of attorney for health care. Originals should be secured with a lawyer.
4. Copies of trust agreements for any established trusts or under those in which you are the beneficiary. Originals should be secured with a lawyer.
5. Funeral and burial instructions.
6. Antenuptial or postnuptial agreement.
7. Marriage certificate.
8. Divorce decree and separation agreement, if applicable.
9. Military discharge papers, if applicable.
10. Naturalization papers, if applicable.
11. Adoption papers, if applicable.
12. Cemetery deed.
13. Social security records for every family member.
14. Passports for each family member.
15. Real estate titles and deeds for property owned. These should be recorded.
16. Mortgage statements.
17. Title insurance.
18. Automobile and boat registrations or lease agreements.
19. Listing of all credit cards held, including names of creditors, addresses and account numbers.
20. Statements for checking and money market accounts.*
21. Savings passbooks and most recent account statements.
22. Listing of certificates of deposit with current interest rates and maturity dates.
23. Retirement asset statements: IRA, 401(k), Keogh and/or company pension plan.*
24. Statements of stock brokerage or managed portfolio, if applicable.*
25. Mutual fund account statements.*
26. Annuity contracts.*
27. Stock option plans.
28. Partnership agreements.*
29. Federal and state income tax returns. Older ones may be kept together in a "retired" file, but separate files should be kept for at least the last three years.
30. Gift tax returns.
31. Promissory notes and other loan agreements.
32. Life and disability insurance policies, with a master list of each policy.
33. Property, casualty, health and automobile insurance policies.*
34. Safety deposit box location, number and key.
35. Safe combination and computer passwords. You may want to code these somehow.
36. List of important contacts—lawyer, accountant, financial planner, stockbroker, insurance agent—with name, address, telephone and fax numbers and e-mail addresses.
37. List of professional and fraternal organization memberships—with addresses.

Some clients make copies of original documents, put the copies in their personal files and the originals, or certified copies, in a safe deposit box. As an added convenience, some clients create and maintain one or more loose-leaf binders for financial statements, bank accounts, mutual funds and/or other assets on which regular statements are received. Each asset may be tabbed for ready reference and current statements added to the binder as they are received. Cumulative year-end statements (for each year) should be kept permanently. When the cumulative statement is received, all other interim statements may be discarded. A separate "summary" file may be kept at the end of the year so the binder contains only the current year.

Getting organized may at first seem like a nuisance. However, your client's efforts will pay significant dividends in the many hours of frustration and stress that will be eliminated. ✦

By Daniel J. Hoffheimer, an attorney with Taft, Stettinius & Hollister in Cincinnati.

Trusts accomplish what wills cannot

In estate planning, a lawyer is often asked about trusts. Clients are often predisposed against them and instead ask only for a "simple will." There is no such thing as a simple will!

The following list outlines some of the things a trust can do—things a so-called simple will ordinarily cannot do. Use this list to counsel your clients or create handouts for your clients to peruse.

A trust may include many different provisions to accommodate one or more of the following objectives, among others:

• Provide a structured way to administer personal and financial affairs during your life should you become incapacitated.

• Carry out your choice of trustee to administer your trust.

• Provide a protected way to administer your assets to a surviving spouse in a tax-advantaged manner.

• Ensure the orderly and private transfer of your property after your death, and after the death of your surviving spouse.

• Protect and manage assets for the benefit of, and provide support for, your children, grandchildren and other beneficiaries until they reach the ages or meet conditions that you determine for distribution.

• Create incentives for desirable behavior and accomplishments by your beneficiaries.

• Ensure that a property transfer takes advantage of the available federal and state tax exemptions.

• Provide for the support of an elderly surviving spouse, parent, disabled child or other person with protection from Medicaid disqualification or reimbursement.

• Pay for a loved one's education.

• Pay for a loved one's health and medical care.

• Avoid probate costs and inconvenience.

• Make tax-advantaged gifts to children or others.

• Make tax-advantaged generation-skipping gifts to grandchildren.

• Protect assets from a beneficiary's creditor's claims.

• Protect assets from claims of a beneficiary's present, former or future spouse, including in a divorce.

• Minimize the risk of competition or disagreement among beneficiaries over financial matters.

• Arrange for the cooperative sharing of a family asset such as a residence or vacation home.

• Determine the method for decisions regarding stock options and other unusual assets.

• Make tax-advantaged charitable gifts.

• Arrange for the management and distribution of retirement plans and life insurance proceeds.

• Provide for the continuation of alimony, property division or child support payments, if necessary, but no more than is legally required.

• Arrange for the management or sale of a family business or save a family business from an untimely liquidation or disadvantageous sale.

• Reduce your estate tax, income tax and generation skipping tax.

The terms of a revocable living trust can be modified as your goals change. You can elect to have the trust cease and pay out immediately following death or have it continue into the future for your beneficiaries. The flexibility of a trust makes it ideal for a wide range of individuals and purposes when a will cannot accomplish your goals. ✦

By Daniel J. Hoffheimer, an attorney with Taft, Stettinius & Hollister in Cincinnati.

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with Ohio Bar Liability Insurance Company, we are sponsoring a day-long seminar.

The section council is continually working to provide useful and helpful information for members. I cannot emphasize enough the need for your feedback. If you have suggestions, please let us know.

Best wishes for good health and success in 2006. ✦

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