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The Financial Notebook

by Neal Frankle

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Stella was frantic when I first met her. She was a recently divorced woman and knew nothing about money. Prior to the divorce she had delegated the job of overseeing the finances to her husband. Now she was forced to get involved in her financial future and had no clue where to start.

Stella had no idea to where the money was, how it was invested or how much she needed to live on.

My first recommendation was to get her financial papers in order. To really take control of her finances, she had to know where everything was.

I told her to get organized by creating a notebook to keep all of her information in one convenient place. This notebook would be extremely valuable to her in case of emergency, and would also facilitate a yearly review of her finances.

I explained to her, as I do to all of my clients, how to build a Financial Notebook by creating sections for important documents. I've summarized a list of items you should include in your notebook:

- Important contacts. This includes your doctors, family members, attorney, CPA and financial advisor.
- Last two years of tax returns.
- Life insurance policies. File your own policies and your ex-husband's policies (if you are his beneficiary) in this section. Include the last statement you've received, the contact information and policy numbers.
- Information on any disability policies. Since your ex-husband had a legal obligation to pay support, this is important. If he becomes disabled, the disability payments would replace his income so that hopefully, he could continue making his payments to you.
- Trust or wills.
- Information on investments and savings. I suggest you split up this section by having a separate section for each investment for easy reference. Put the most recent statement in each tab and destroy the older statements as the new ones come in.
- Information on any real estate owned along with any mortgage information. Include the yearly property tax statement, insurance documents and monthly mortgage statements here.
- Balance sheets and income statements. A balance sheet is a summary of all assets and all liabilities. The income statement summarizes the sources of income and all expenses on a monthly basis. You must know what it costs to live at your current level and whether or not your income is sufficient. If the income does not match spending, you will see if you need to go back to work, cut spending or a combination.

In Stella's case, she was anxious and worried about spending down her assets. I explained updating her balance sheet and income statement each month was the single



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most powerful tool she had to make sure that didn't happen.

Completing her Financial Notebook gave her tremendous peace of mind as she entered a new phase of her life. Having full knowledge of her finances gave her the confidence she needed to make decisions about her future.

Neal Frankle is the author of "Why Smart People Lose a Fortune: 5 Steps to Restoring Your Wealth and Sanity." For a free emagazine subscription or to learn how Neal can assist you, contact his firm at info@WealthResourcesGroup.com.

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