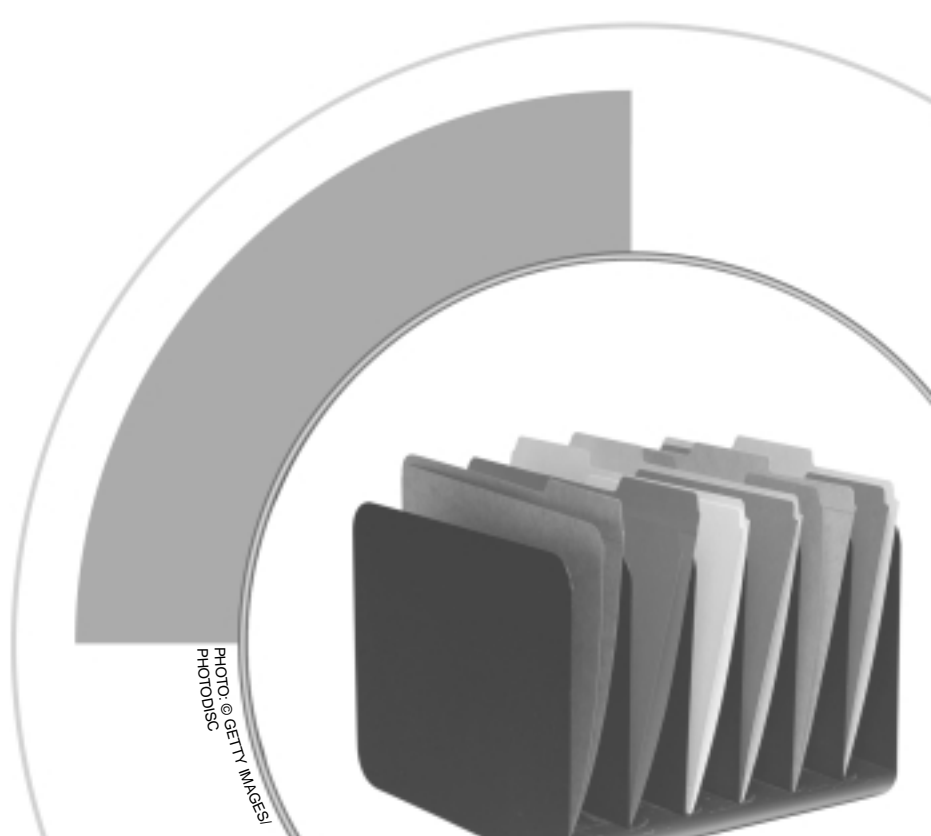
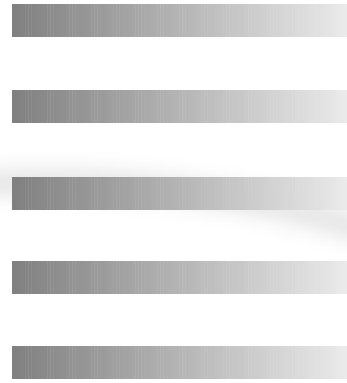




# Chapter

## SETTING UP A FILE

- SKILL 1      **How to Set Up an Effective Filing System**
- SKILL 2      **How to Use This Simulation**
- SKILL 3      **How to Know Where to File**
- SKILL 4      **How to Know When to File**
- SKILL 5      **How to Set Up Annual Files**



Mark Smith walked along the streets of his neighborhood, thinking what a difference a day makes. Yesterday he didn't have a care in the world. He had just celebrated his nineteenth birthday. He was happy living at home with his parents and three younger sisters. He had a fairly good job at Antwan's Auto Parts, and he planned to attend City Community College in order to improve his prospects for the future.

That was before Mark's dad gave him the bad news. Mark would have to move out as soon as possible and support himself as best he could. His mother had been given a pink slip at 5 p.m. as she was preparing to go home for the day. Because of the poor economy, she was laid off—indefinitely.

Mr. Smith reminded Mark of the importance of education for all the children in the family. He reminded Mark how he had encouraged him to stay in school and graduate. He told Mark how proud he was that he had done just that.

Mr. Smith said he wanted the same for Mark's sisters. He wanted them to stay in school and get a high school diploma. He said that he couldn't afford to feed all the family members on one salary. Without Mrs. Smith's salary, the family would have to make some changes.

Mark didn't know where to start. He felt overwhelmed. He had to find an apartment—one he could afford. He barely had enough money for bus fare now, and that had been about all he had to pay for so far, except his own entertainment. He had never bought groceries on his own. He didn't have a checking account. However, Mark knew his dad was right. Mark had been given the opportunity to get a high school education. He was 19; he should be able to support himself.

Mark slowly strolled to the bus stop. He got on the bus and settled into a seat without looking to see who was sitting beside him.

"Hi, Mark! Long time no see." It was Kim Nguyen. Mark hadn't seen Kim since high school graduation. Her parents had come to the United States to escape poverty in their home country. They could barely speak English when Kim was younger. Mark really admired Kim and her family. They had overcome obstacles that Mark couldn't imagine anyone overcoming. Now he had his own story to tell, and Kim listened carefully.

"First, you need to get organized," Kim said later, as they sat eating a sandwich. Mark felt better already. This woman was a genius.

"You must start a filing system. It's the only way to get organized and stay organized," she said.

"First, get a crate or a box, something to store your files in," she said. "No need to spend money on a fancy filing system. Save your money for more important matters.

"Next, buy file folders. A box of 100 file folders is very inexpensive and well worth your money. I prefer letter-size, but you can also get them in legal size. Letter-size fits most boxes and can usually be found in different colors at discount stores."

# A

## Student Activity

Find out where you can buy file folders. Acquire 20 file folders. If possible, buy a multi-pack that includes green, red, yellow, and blue folders. Or, arrange with classmates to buy different colors and then trade, so that each of you has some of each of these four colors. Later in this chapter, you will set up a filing system with your folders. You'll need 12 green folders, 5 red folders, 2 yellow folders, and 1 blue folder to start your system. If you can't obtain these colors, then folders of any color will work.

## How to Set Up an Effective Filing System

Kim explained to Mark that a filing system can be neatly divided into four categories:

1. *Financial*: Records of financial transactions and documents (bank records, canceled checks, budget records, investment records)
2. *Personal*: Records of important personal documents (birth certificate; social security card; diplomas; school transcripts; academic certificates; apartment lease; insurance policies; deeds; passport; marriage/divorce papers; health records; financial documents such as bonds, retirement plans and similar documents; and current will)
3. *Self Improvement*: Plans and programs for self improvement (personal goals, career goals, certification programs, class schedules, college catalogs, fitness programs)
4. *Leisure*: Enjoying life (maps, travel plans, recreational tips, Web sites)

For quick access, Kim suggested a color-coded filing system. She recommended the colors she uses in her own filing system: green, red, yellow, and blue for the dividers. Kim uses folders that match the divider colors, but she said that regular manila folders are fine, too.

Kim said Mark should start his file right away. However, she warned against making a lot of labels for files that he might not need. "At first, just begin with the four main categories. You can add folders as you need them," Kim said.

### Financial File

The *Financial File* (color-coded *green* for money!) should contain *financial transactions*: bills to be paid, checking and savings account records, loan payment records, credit card receipts, and your paycheck pay statements.

This file is very helpful for keeping an accurate budget, which you'll learn more about in Chapter 3. If you use electronic banking for financial transactions, it's very important to keep receipts of financial transactions. In addition, you'll need some receipts and financial records to prepare your yearly income tax. These documents also serve as proof of the accuracy of your tax report. If you are audited, the Internal Revenue Service examines your financial records. Therefore, you should keep income tax records for six years after the last filing date.

## Personal File

The *Personal File* (color-coded *red*) should include important personal documents you will need over the years. For example, this file would contain medical records, apartment lease, insurance papers, diplomas, vehicle records, and warranties. It would also contain your *vital records*—documents you will need from time to time throughout your life, such as your birth certificate, as well as papers needed by your loved ones after your death, such as your will.

For added security, you may want to keep the originals of these records in a bank safe-deposit box and keep *copies* in your Personal File at home. It would be very inconvenient to have to go to the safe-deposit box every time you need to check one of the documents for information. Also, you might not be able to get to your safe-deposit box on the day you need the information, as the bank could be closed.

## Self Improvement File

The *Self Improvement File* (color-coded *yellow*) should contain records of your personal and career goals, as well as information on schools, workshops, seminars, and programs that will enable you to accomplish these goals. It is a good idea to revisit these goals about once a year and perhaps keep a journal of your plans. *Remember: An idea is not a plan until you write it down.*

Self improvement may pertain to job opportunities or other types of personal self improvement. You may read about a new company moving into town or discover a fitness program that you like. Or, you may find a program to help you stop smoking. At the time, you may not be able to afford it, or the program may not begin until months later. This is the information you want to keep on file so you can find it later when you need it.

## Leisure File

The *Leisure File* (color-coded *blue*) is one that most people don't think is important enough to keep. Yet it's a file that saves a lot of time, energy, and often money. For example, suppose you read a magazine article about a vacation in the Blue Ridge Mountains. It describes all sorts of bargains: inexpensive cabins, discounted transportation, places to go, and things to do. All the arrangements can be made at a particular Web site. At the time, you can't afford to take the trip. But maybe months later you have the opportunity to go. Maybe a year later,

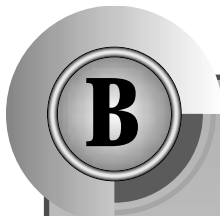
a friend is planning just such a trip and invites you to go along. Of course, you won't remember so much as the name of a highway if you don't keep the article containing the information and Web address in your file.

Call this your fun file. You don't want to keep everything—just information that really appeals to you. Some people gather information on hotels and recreational opportunities on the Internet and save the Web addresses on a floppy disk. You can keep the disk in your Leisure file.

According to Kim, being able to enjoy your leisure time is the reason you keep the other three files. Kim keeps information on travel and vacations, books, sports, gardening, recreation, hobbies—anything that serves as leisure for her.



PHOTO: © GETTY IMAGES/PHOTODISC



## Student Activity

1. Name the four major categories of an effective filing system:
  - a. \_\_\_\_\_
  - b. \_\_\_\_\_
  - c. \_\_\_\_\_
  - d. \_\_\_\_\_
2. Under what major filing category should you keep the following?
  - a. Canceled check records \_\_\_\_\_
  - b. Apartment lease \_\_\_\_\_
  - c. Paralegal course information \_\_\_\_\_
  - d. Disney World vacation package \_\_\_\_\_
  - e. Credit card receipts \_\_\_\_\_
3. Give two reasons why everyone should set up a filing system.
  - a. \_\_\_\_\_
  - b. \_\_\_\_\_

# How to Use This Simulation

Before you go any further, you need to make sure you thoroughly understand the items in your *On Your Own* simulation. We'll examine each item and show how it will be used in the following chapters.

## Outer Envelope

The *On Your Own* simulation is packaged in a sturdy envelope. You will place the filing system you develop in this envelope, along with your *Financial Management Record Booklet* and the checkbook. The envelope provides a convenient way to keep all your materials together and organized. When this class is over, you may want to purchase an expandable folder or plastic crate to hold your filing system. Then you can continue to expand your system, as needed.

## Instructions and Source Documents Booklet

You are reading out of the *Instructions and Source Documents Booklet* at this very moment. Turn now to the Table of Contents. Notice how the booklet is organized. There are 11 chapters. Chapter 1 is an introductory chapter. It helps you get organized by showing you how to set up a filing system.

As you look through the Table of Contents, you can see that you will work through all the basic skills you need in order to lead a productive life. You'll learn how to manage your money. You will learn how to pursue a career, to obtain financial security, and to manage credit. You will find out how to cover risks of loss of property, health, or life. In the last chapter, you'll learn about your consumer rights and responsibilities.

Now flip through Chapter 2 of the *Instructions and Source Documents Booklet*. Notice that there are Student Activities throughout the chapter. The purpose of these activities is to make sure you understand the information you need in order to perform the transactions required of Mark. In some of the Student Activities, you'll be given directions to record Mark's transactions. As you handle Mark's transactions, you'll be mastering these skills for yourself.

Each chapter contains a section called *On Your Own for Life*. In these sections, you will be completing activities for yourself. These activities will help you develop the skills you need in order to have a productive life.

The back of this *Instructions and Source Documents Booklet* contains a Source Documents section with all the forms, receipts, bills, invoices, and any other documents you will need in order to take care of Mark's transactions. Notice that each form is numbered (Form 2-1, Form 2-2, etc.) and perforated along the left side. Don't tear out any forms until you are instructed to do so. You'll see samples of the forms in the chapters of the *Instructions and Source Documents Booklet*. However, the forms you'll actually use are in the Source Documents section.

You should handle actual forms for two reasons: (1) to become acquainted with the way they look and (2) to practice using forms like those you'll encounter in real life. We tend to avoid things that are unfamiliar. Having seen and used the forms, you'll be familiar with them and will be more likely to put them to good use for yourself.

## Checkbook

Look at the simulated *Checkbook*. Simulated means that the checkbook isn't real. In other words, you can't use the checkbook for real cash money. However, it looks like a real checkbook. It has checks in it that you will use for Mark. It has deposit slips and a check register, all of which you will learn how to use in Chapter 2. By using this simulated checkbook, you will learn how to use your own checkbook.

## Outgoing File

Inside your simulation is a manila envelope. This is your *Outgoing File*. You will file all the forms or checks that are mailed or given to someone else in the *Outgoing File*. You'll file these documents in numerical order as you complete them. For example, you'll file Form 2-4 behind Form 2-3. The purpose of keeping these documents on file is to make sure you have filled them out properly.

## Tabbed Dividers

The four color-coded, tabbed dividers in your simulation will help you organize a filing system. In Student Activity C of this chapter, you will use the four dividers to organize your file folders according to the four basic categories of a filing system: Financial (green), Personal (red), Self Improvement (yellow), and Leisure (blue). You will keep track of all forms, documents, and financial records by filing them in the proper category. You'll be given instructions whenever you have to file.

You'll create sub-categories within the main categories of your filing system. For example, in your Financial File you'll include individual folders labeled *Bills to Be Paid*, *Banking*, and *Budget*.

After you have filed for Mark and yourself throughout the 11 chapters, you will have developed valuable organizational skills. You'll be in the habit of filing on a regular basis. Plus, you'll discover how easy it is to find and retrieve information and documents that may otherwise be lost or thrown away.

## Folder Label Sheet

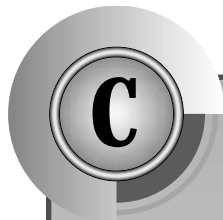
A page of pre-printed folder labels is provided at the front of the Source Documents section in this *Instructions and Source Documents Booklet*. You will cut out the labels and tape them to your folder tabs to create your filing system.

## Financial Management Records Booklet

Mark's *Financial Management Records Booklet* is really the monthly record of his income and expenditures. It's a record of how well he's managing to stay within his planned budget. You will manage Mark's monthly budget by entering his monthly income and expenditures.

You will learn how to plan and keep a budget in Chapter 3. As you proceed through Chapter 3 and the other chapters, you'll record Mark's financial transactions in his *Financial Management Records Booklet*. You'll be given the necessary instructions each time you are required to record information for Mark.

By managing Mark's *Financial Management Records Booklet*, you'll acquire the skills to plan and manage your own budget. To live within your financial resources, you must learn how to manage a budget.



### Student Activity

In this activity, you will set up a filing system using the 20 file folders you acquired in Student Activity A. A sheet of folder labels appears at the front of the Source Documents section in this *Instructions and Source Documents Booklet*.

1. Tear out the sheet of folder labels. Notice that the labels are marked for the appropriate color category.
2. Cut out the individual labels and tape them to your file folders. If you have colored folders, tape the labels to the appropriately colored folder.
3. Insert your file folders behind the corresponding colored dividers in the simulation's envelope. Place the folders in alphabetical order within each of the four file categories. Alphabetical order helps you find the folders quickly.
4. Write "Outgoing File" on the manila envelope. Place it in front of the Financial divider.
5. Store the *Checkbook* and *Financial Management Records Booklet* in the front of your filing system.

## How to Know Where to File

Many people have trouble with a filing system because they don't know where to file things. To put it another way, they don't know what category to use.

Kim set up a file *index* that helps her to be consistent when filing. It is similar to a table of contents. It helps Kim remember where she filed a particular document. She keeps her index in the front of her file for easy reference.

A file index for the files you just set up is provided in the Source Documents section of this *Instructions and Source Documents Booklet*. Find and remove Form 1-1 from the back of this booklet. Notice that the folder labels are listed in alphabetical order under each category. Also, notice that certain labels are subdivided, such as *Checking Account*. The main category is always written first on the label followed by a dash (—) and the subdivision. For example, *Checking Account—ATM Receipts*; *Checking Account—Bank Statements*; and *Checking Account—Canceled Checks*. Place the file index (Form 1-1) in the front of the first divider in your filing system.

Usually, you need to subdivide a folder into separate folders if it is too full or if an additional file folder helps you find items more quickly. For instance, you may not remember that you filed your bank statements with your canceled check records. Or, you may have so many canceled checks in the *Checking Account* folder that you need another folder to hold other paperwork related to your checking account.

The point is that you should customize your filing system to fit your individual needs. After establishing the four major categories (Financial, Personal, Self Improvement, and Leisure), you want to make (label) file folders to store only the documents and information that you presently have to file. Add additional file folders as you need them.

You already set up a basic filing system in Student Activity C. When you finish this course, you will have the basis for a filing system that will serve you for life.

## How to Know When to File

Kim told Mark that many people get discouraged because they don't set aside a definite time to file. Most people don't want to stop and file every time an item needs to be filed. On the other hand, if you avoid filing for a long time, the job becomes mind-boggling.

Kim recommended that Mark set a definite time to file his bills in the file folder. She pays her bills and files them twice a month, on the days she gets paid (on the 15th of the month and on the last day of each month). In between these times, she keeps the bills in the Bills to Be Paid folder.

You will be filing for Mark *immediately* after each transaction, so that you'll learn how and where to file. As you develop your own filing system, you need to

schedule a definite time to file, as Kim did. If you don't file right away, don't wait longer than a two-week period. If you wait longer than two weeks, you'll defeat the value of your filing system. You will have a bunch of disorganized papers lying around.

## How to Set Up Annual Files

Kim suggested that Mark go through his files at the end of each year and dispose of those papers that are outdated or that he no longer needs or wants.

File each annual income tax report, along with supporting documents (receipts/invoices), in a separate file folder or in a large manila-clasp envelope. Indicate the year of filing right on the folder or envelope. Store these files so you can retrieve them if and when needed. It would be wise to keep your entire filing system in a fireproof box. You can purchase a fireproof box at a reasonable cost at a discount store.

Examining your files each year reminds you of what you have filed so far. Also, clearing files encourages you to throw away items that are no longer useful.

You can often re-use your file folders year after year. It is work to set up an efficient filing system. You don't want to go through that every year.



### **Student Activity**

1. Do you have a filing system now? \_\_\_\_\_
2. How often do you think you should file once you have a system set up? \_\_\_\_\_
3. What is the value of "cleaning out" files annually?

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Leisure files are very specific to each person's recreational preferences. Therefore, the use of leisure files has not been included in the activities you perform for Mark. However, you should begin collecting materials about leisure activities that interest you. As you progress through *On Your Own*, gather information of interest to you and file it in the Leisure File created in Student Activity C.

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## Check Up

When you are on your own, you have to get organized. Keeping track of your important papers, your financial transactions, and your plans for the future are the first steps in getting organized.

Having completed the Student Activities in this chapter, you should have mastered the skills listed below. Put a checkmark next to the skills you have mastered. If you aren't sure of a skill, review that section of the chapter.

- How to set up an effective filing system
- How to use this simulation
- How to know where to file
- How to know when to file
- How to set up annual files

Now that you have mastered the skills listed above, move on to Chapter 2, *Opening a Checking Account*.