

When it comes to financial records retention and records retention guidelines, there aren't any hard and fast records retention guidelines. The purpose of this document is to provide some basic rules of thumb for the retention of personal financial records. It's always good to check with your accountant or other resource for your specific personal guidelines before implementing your policy. Also, to assist with the implementation of a policy while also reducing your risk of identity theft, it is a good idea to invest in a shredder and possibly a scanner.

Tax Returns and Supporting Documentation **7 Years**

Whether personal or business, the general rule is seven years. This may seem like a long time to hold onto these papers, but think of it as an annual cleaning out as new returns are filed. One in, one out and the old adage of "better safe than sorry" will apply. The IRS has 3 years from your filing date to audit your return if it suspects good faith errors. However, there are also exceptions to the three-year policy, including:

- False or Fraudulent Return - Tax may be assessed at any time, without limitation.
- Willful attempt to avoid tax - Tax may be assessed at any time, without limitation.
- No return - Tax may be assessed at any time, without limitation.
- Extension by Agreement - Assessment period defined by agreement between IRS and taxpayer.
- Tax resulting from changes in certain income or estate tax credits - No timeframe defined.
- Tax resulting from distributions or terminations from a life insurance company - 3 years
- Termination of private foundation status - Tax may be assessed at any time, without limitation.
- Substantial omission of items (generally defined as over/under reporting of income by 25%) 6 years.

Personal Health Records **Indefinitely**

Your and your family's personal health records should be kept indefinitely in your home file records and should include the following information: complete contact information of your personal physicians; your medical history; and your prescriptions and/or treatments prescribed. Having this complete information at your fingertips will save you time and energy in the future.

Medical Records **End of Treatment + 5 Years**

If you are able to claim medical expenses on your tax return, it is recommended that you keep the records for seven (7) years from the end of the year in which they are claimed. For all other medical records it is recommended that you keep them for 5 years from the time you are no longer being treated for the symptoms that those records are pertaining to. For example, if you have chronic anemia, you should keep all records pertaining to those symptoms until you no longer have chronic anemia, but if you get treated for the flu, those records should be kept for five (5) years, if you did not claim them on your taxes.

Medical Insurance **Service Rendered + 5 Years**

This includes your premium statements, doctor bills, copies of prescriptions, hospital bills, etc. The general rule here is five years from the date of the service rendered.

Life Insurance Policies **Life of Policy + 3 Years**

It is recommended that you keep life insurance policy information for the life of the policy plus three (3) years.

Legal Documents **Indefinitely**

Items such as Marriage Certificates, Death Certificates, Divorce Papers, Trust documents, Wills, etc. should be retained indefinitely in a fire proof safe or safe deposit box.

Pay Check Stubs **Current Year – Validate Against W-2 and SS Statement**

- Keep the year-long worth of stubs until you reach the year-end check of December 31st that recaps the entire 12 months worth of pay, social security, taxes, etc. When you receive your annual W-2 form from your employer, make sure the information on your stubs matches and then shred the stubs.
- Also validate the W-2 statement with the annual Social Security statement.

Bank Statements

3 Months

The only reason you would really consider keeping bank statements on hand is if you were thinking about applying for a mortgage, and that would require a three month history. Otherwise, the bank has all of your records if a need arises.

Credit Card Statements

3 Months

- Credit Card Receipts - Keep your original receipts until you get your monthly statement; toss the receipts if the two match up. Keep the statements for seven years if tax-related expenses are documented.
- Credit Card Statements - Here the records reflect only a proof of charges and the credit card companies can always reproduce the reports if need be. Generally it is recommended that you keep the current three months on hand.

ATM Receipts

3 Months

This is a very individual thing. Tons of people have glove compartments and wallets brimming with ATM slips from four years ago. A suggestion might be when you do an ATM transaction to immediately enter it into your check book listing and then toss the receipt. That way you might be able to find the CD's in the glove compartment.

Retirement and Savings Plans

1 Year to Permanently

- Brokerage and Mutual fund statements - Retain documentation for all you money you've invested – this will allow you to determine your cost basis for any future sales. Once you have sold the investment, hold on to the documents for the three years referenced in the Tax Return section.
- Keep the monthly/quarterly statements from your 401(k) or other plans until you receive the annual summary. Discard (shred) the monthlies/quarterlies statements once you receive the annual summary that reflects the yearly activity.
- Keep the annual summaries until you retire or close the account.

IRA Contributions

Indefinitely

- If you made a nondeductible contribution to an IRA, keep the records indefinitely to prove that you already paid tax on this money when the time comes to withdraw.

Financial Documents

3 Months

Chances are if you have any stocks, bonds, mutual funds, etc. you are inundated with prospectus, privacy notices, address confirmations, and on and on. Don't keep any of these unless again, you plan to act on them within the next two weeks. In regards to your various benefit statements, you may want to keep this information indefinitely in order to determine your future retirement benefits. Public companies ask you to vote for the board of directors and special measures once a year. Unless you own a significant amount of stock or have a strong opinion, you may wish to save the company postage and toss the vote card. Again, either send in the paperwork or throw it away.

Mortgage Statements

Ownership Period + 7 Years

It is recommended that you keep your mortgage statements for the ownership period of the mortgaged property plus seven (7) years.

Mortgage Documents

Ownership Period + 7 Years

The good news is that the most important documents are probably recorded in your county records. For example, if you use a commercial bank for your financing then they will record a mortgage on the property when you take out the loan. After you've paid off the mortgage they are obligated to record a satisfaction of mortgage.

If you look at that document, you should see some recording marks along the side indicating the book and page in which it was recorded in the county records. To be safe, however, I'd hold onto that document for 10 years. Whenever someone thinks you owe them money, you'll want to hold on to proof of payment for longer than you would if the reverse was true. The burden of proof is going to be on a lender to prove you owe money. If you've paid it off, you'll want to prove that you did. This can be done with the satisfaction of mortgage or with bank statements and canceled checks that your bank has on microfilm. However, if this information is readily available from the bank or county records, you don't need to worry too much. If you are doing renovations, make sure you

get the satisfaction of lien from the contractors doing the work. Keep that as long as you own the property. When you sell it, the lawyers will do a title search and the title insurance should take over after that.

Home Records, including Repair Bills & Contracts **Period of Ownership + 6 Years**

This is another great area where a scanner might save you some significant file room.

- Housing Records: As long as you own the home, plus 6 years.
- Keep all records documenting the purchase price and the cost of all permanent improvements - such as remodeling, additions and installations.
- Keep records of expenses incurred in selling and buying the property, such as legal fees and your real estate agent's commission, for six years after you sell your home.
- Holding on to these records is important because any improvements you make on your house, as well as expenses in selling it, are added to the original purchase price or cost basis. This adds up to a greater profit (also known as capital gains) when you sell your house. Therefore, you lower your capital gains tax.

Home Insurance **Life of Policy + 10 Years**

The minimum timeframe suggested is five years. However, if you think that you may have any issues in the future, go with the ten year rule. You really shouldn't rely on the insurance company to provide copies of your records since any burden of proof will fall to you.

Utility Bills **3 Months**

If you are writing off your utility bills for tax purposes, you may need to keep them as tax records. However, if you can't write them off, you can keep a minimal amount of bills (last 3 months). The utility companies can recreate the others for you if you need them. Three months allows you to establish residency for purposes of drivers licenses, voter registration, mortgage application, etc.

Warranty/Guarantee Documents **Expiration Date**

Remember that old toaster oven? Well, keep in mind that anytime you get rid of an appliance, telephone, or anything else that had warranty documentation, you can safely discard the papers at the same time! The general guideline is to dispose of a warranty at the date of expiration.

Big Purchase Items **Ownership Period**

Invoices and receipts for big purchases (such as jewelry, rugs, appliances, antiques, cars, collectibles, furniture, computers, etc.) should be kept in an insurance file for proof of their value in the event of loss or damage.