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Which Financial Documents Should You Keep On File?

You might be surprised how many people have financial documents scattered all over the house – on the kitchen table, underneath old newspapers, in the hall closet, in the basement. If this describes your financial “filing system”, you may have a tough time keeping tabs on your financial life. Organization will help you, your advisors ... and even your heirs.

One large file cabinet may suffice. You might prefer a few storage boxes, or stackable units sold at your local big-box retailer. Whatever you choose, here is what should go inside:

Investment statements. Organize them by type: IRA statements, 401(k) statements, mutual fund statements. The annual statements are the ones that really matter; you may decide to forego filing the quarterlies or monthlies. When it comes to your IRA or 401(k), is it wise to retain your Form 8606s (which report nondeductible contributions to traditional IRAs), your Form 5498s (the “Fair Market Value Information” statements that your IRA custodian sends you each May), and your Form 1099-Rs (which report IRA income distributions).¹

In addition, you will want to retain any record of your original investment in a fund or a stock. (This will help you determine capital gains or losses. Your annual statement will show you the dividend or capital gains distribution.)

Bank statements. If you have any fear of being audited, keep the last three years worth of them on file. You may question whether the paper trail has to be that long, but under certain circumstances (lawsuit, divorce, past debts) it may be wise to keep more than three years of statements on file.

Credit card statements. These are less necessary to have around than many people think, but you might want to keep any statements detailing tax-related purchases for up to seven years.

Mortgage documents, mortgage statements and HELOC statements. As a rule, keep mortgage statements for the ownership period of the property plus seven years. As for your mortgage documents, you may wish to keep them for the ownership period of the property plus ten years (though your county recorder’s office likely has copies).

Your annual Social Security benefits statement. Keep the most recent one, as it shows your earnings record from the day you started working. Please note, however: if you see an error, you will want to have your W-2 or tax return for the particular year on hand to help Social Security correct it.²

Federal and state tax returns. The IRS wants you to hang onto your returns until the period of limitations runs out – that is, the time frame in which you can claim a credit or refund. The standard IRS audit looks at your past three years of federal tax records. So you need to keep

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To provide comprehensive wealth management solutions tailored to meet the unique needs of our clients that emphasizes value added services aligned with our clients’ best interests. We are committed to our clients’ success.

Our Best Compliment is an Introduction By You.



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three years of federal (and state) tax records on hand, and up to seven years to be really safe. Tax records pertaining to real property or “real assets” should be kept for as long as you own the asset (and for at least seven years after you sell, exchange or liquidate it).³

Insurances. Life, disability, health, auto, home ... you want the policies on file, and you want policy information on hand for the life of the policy plus three years.

Medical records and health insurance. The consensus says you should keep these documents around for five years after the surgery or the end of treatment. If you think you can claim medical expenses on your federal return, keep them for seven years.

If this seems like too much paper to file, buy a sheet-fed scanner. If you want to get really sophisticated, you can buy one of these and use it to put financial records on your computer. You might

want to have the hard copies on file just in case your hard drive and/or your flash drive go awry.

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Citations

- 1 - kiplinger.com/columns/ask/archive/2004/q0206.htm [2/6/04]
- 2 - ssa.gov/mystatement/currentstatement.pdf [1/10]
- 3 - irs.gov/businesses/small/article/0,,id=98513,00.html [4/8/08]

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We would also like to take this opportunity to direct you to our new website: www.ProspersityConsult.com. We’ve spent the last few months updating the site to better represent the services we provide. Please let us know what you think.

Best Regards,
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