

## August 2008 *MoneyMinute* – Household Record Retention: What to Keep, Where to Keep it, and For How Long

---

By Julie Schatz, CFP®

When was the last time you couldn't find an important paper you knew you had carefully put away someplace? How much time do you spend trying to straighten out your household business affairs, especially at income tax time?

How, in fact, do you decide what records are important to keep and which can be discarded? How do you decide where to store and keep such records and papers?

Even though each family or household must work out its own system, some general guidelines can be helpful. As a starter, ask yourself a few questions:

- How easy or difficult would it be for other members of your household to figure out your record system?
- Who besides you knows where to turn for necessary information about the family household assets and obligations? Do you have a listing of people who are important contacts, such as tax counselor, attorney, financial advisor, insurance representatives, employers, creditors, and debtors?
- Are you sure titles to property and possessions are held in the best way for all concerned? If not, you may want to ask an estate attorney for professional assistance.
- What happens if the place where you live is burglarized or there's a fire and records are destroyed? What do you do when you lose track of important paper. Which can be replaced, and how do you go about that? Which ones cannot be replaced, and what do you do about those?

Potential tax audits will be far less intimidating if you have kept records to substantiate your tax return claims. Here is a chart with recommended retention periods.

**Note:** Requirements for records kept electronically are the same as for paper)

---

Type of record	Length of time to keep -- and why
Tax Returns	Indefinitely; keep the actual tax return (not the records) forever
W-2s	7 years
1099s	7 years
Canceled or substitute checks that support tax deductions	7 years (charitable contributions, mortgage interest, alimony, retirement plan contributions)
Credit card statements that support tax deductions	7 years

Type of record	Length of time to keep -- and why
Charitable contribution documentation	7 years
Receipts, diaries, logs pertaining to tax return	7 years
Year-end brokerage statements, annual mutual fund statements, dividend reinvestment records, investment purchase & sale confirmations*	Ownership period + 7 years
	You need the purchase/sales slips from your brokerage or mutual fund to prove whether you have capital gains or losses at tax time.
Investment property purchase documents	Ownership period + 7 years
House/condominium records	Ownership period + 7 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.
	Keep mortgage documents - original and all refinance docs
	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 determines your profit (also known as capital gains) when you sell your house. Therefore, you lower your capital gains tax.
Home repair receipts	Warranty period for item
IRA nondeductible contributions - Form 8606	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.
IRA annual reports*	Indefinitely
Retirement/savings plan statements	From one year to permanently
	Keep the quarterly statements from your 401(k) or other plans until you receive the annual summary; if everything matches up, then shred the quarterlies.
	Keep the annual summaries until you retire or close the account.
Pension/retirement plan documents	Indefinitely

Type of record	Length of time to keep -- and why
Bank records	Keep bank statements for 7 years.
	Go through your checks each year and keep those related to your taxes, business expenses, home improvements and mortgage payments.
	Shred any with no long-term importance.
Bills	Go through your bills once a year. In most cases, when the canceled check from a paid bill has been returned, you can shred the bill.
	If you are claiming a home-office deduction, then save your utility bills for 7 years along with your tax records.
	Bills 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.
Credit card receipts and statements	Keep your original receipts until you get your monthly statement; shred the receipts if the two match up.
	Keep the statements for seven years if the expenses are tax-related.
Paycheck stubs	One year
	When you receive your annual W-2 form from your employer, make sure the information on your stubs matches. If it does, shred the stubs. If it doesn't, demand a corrected form, known as a W-2c.
Medical records	Indefinitely
Insurance policies	Life of policy + 3 years
Divorce documents	Indefinitely
Estate planning documents	Keep your current will & trust indefinitely. If you make a new will or trust, shred the old one.
* Schwab maintains 10 years of these documents for you accessible any time online. If you purchased your investment (mutual fund, ETF, stock or bond) with Schwab, then your records are there. Check once a year to see if there is a 9- or 10-year old document that you need to save (whether paper copy or electronic copy).	

## Papers to Keep in Safe Deposit Boxes

Certain documents and records are too important to retain in an ordinary file drawer. Fortunately, they are also the ones you tend to need least frequently. If they are stolen or destroyed by a catastrophe such as flood or fire, replacing them could be extraordinarily difficult, if not impossible. (See note at end for information on where to turn when you need to replace an important document.) One of the best places to retain such items is a safety deposit box. These can be rented for a small monthly fee at many banks. A home safe is another option, provided that it is adequately rated to protect contents from fire, water, explosions (gas leaks), and other calamities.

Documents deserving extra protection include:

1. Birth certificates

2. Citizenship papers/ passports
3. Marriage certificates
4. Adoption papers
5. Divorce decrees
6. Wills & trust documents
7. Death certificates
8. Deeds to property
9. Titles to automobiles
10. Household inventory, include photos or video of household contents
11. Veteran's papers/military discharge papers
12. Bonds and stock certificates
13. Important contracts (leases, notes, and special papers as patents and copyrights)

Tip: If you put your important papers into a safe deposit box at your bank, make a copy or a list of the documents to keep in a file at home (e.g. a "Safety Deposit Box" file). This way you have access to the vital facts, but you avoid the inconvenience of obtaining the original.

### **Disposing of obsolete documents that may contain personal information**

Be very careful about how you dispose of all of these records, so you don't create a treasure trove for identity thieves. When tossing anything with your social security number or credit card numbers, it's best to get a shredder.

If you have several boxes to dispose of you may want to call a shredding service. In the Bay area:

<http://www.vikingshred.com/one-time-pickup.php>

[http://www.shrednations.com/current/news/2006\\_07\\_01\\_archive.html](http://www.shrednations.com/current/news/2006_07_01_archive.html)

[http://www.bayareashredding.com/shred/paper\\_shredding\\_service.html](http://www.bayareashredding.com/shred/paper_shredding_service.html)

### **Replacing important documents**

State registration of births has been mandatory since 1920, and you can contact your State agency to get a copy. The Bureau of the Census also will search its files for proof of age. If you need to obtain these kinds of records, the publication, [Where to Write for Vital Records](#) is available for viewing or purchase from the Federal Citizen Information Center, Pueblo, Colorado 81009.

#### References:

1. *A chapter from the U. S. Department of Agriculture's 1973 Yearbook of Agriculture that has been adapted for use online by the Federal Citizen Information Center of the General Services Administration as a public service. The chapter on which this brochure is based was originally prepared by Constance Burgess, a retired Cooperative Extension consumer education specialist from the University of California.*
2. *Forefield Inc.*

3. *Kiplinger's Personal Finance*, "How Long to Keep Tax Records" by Kimberly Lankford
4. *Marquette National Bank and Catherine Williams*,  
*President of Consumer Credit Counseling Services of Greater Chicago*

---

If you have friends who may benefit from the monthly *MoneyMinute*, please forward this to them. To sign up for your own copy: <http://www.feelsonly.com/moneyminute.html>

The articles page on our website covers planning issues from real estate to long-term care, from investment risk to college funding, and more. See the rest at:  
<http://www.feelsonly.com/Articles.html>.

Investor's Capital Management, LLC provides financial planning and manages investment assets so that clients can relax and stop worrying about it. **Our professional services are cost-efficient, and it's rare when a client doesn't make or save more than it costs.** As independent financial planners, we have a **fiduciary responsibility** to our clients to always put their best interests first. This may seem obvious to you, but in fact it is all too rare in the financial services area.

We are fee-only financial planners. A client's fee is the only payment we receive so that we work solely in their best interests. We do not take product commissions, nor do we gain from any portfolio activity. **No sales pressure - ever!**

**OUR MISSION:**

Giving clients the clarity and confidence they need to make consistently sound choices. If we may be of assistance in any way during the weeks and months ahead, please call or email. Check out our financial planning services: <http://www.feelsonly.com>.

For others who may benefit from the monthly MoneyMinute, please forward. To sign up for your own copy: <http://www.feelsonly.com/moneyminute.html>.

Rich Chambers, CFP®  
Julie Schatz, CFP®  
Jennifer Cray, CFP®  
Investor's Capital Management, LLC, Menlo Park  
Providing Unbiased Guidance to Financial Success  
Member of the National Association of Personal Financial Advisors (NAPFA)  
Phone: 866-966-9291  
NEW Fax: 650-472-8924  
[info@feelsonly.com](mailto:info@feelsonly.com) <http://www.feelsonly.com>

If you don't wish to see the MoneyMinute in the future, just reply to this message with "unsubscribe" in the subject.

**Legal Disclaimer:** Investor's Capital Management, LLC <http://www.feelsonly.com>, and the *MoneyMinute* email does not render or offer to render personalized investment advice or financial planning advice through this free service. This service is limited to the dissemination of general information only. For specific financial advice you must enter into a formal relationship with a financial adviser.

Caution: All e-mail sent to or from this address will be received or otherwise recorded by ICM and is subject to archival, monitoring or review by, and/or disclosure to, someone other than the recipient.