

Recordkeeping – What, Where, Why & How Long

The Keepers Summary:

- 1. Forever Keep Papers – personal ID proof, military and crucial medical records, legal documents, favorite memento drawings, letters, and keepsakes**
- 2. Income Tax Returns, Bank and Investment Statements - Electronic or paper copies for six years minimum including tax support and deductions payment proof**
- 3. Home Improvement File – for life of the house until six years after sold – purchase settlement sheet, improvements receipts, sale settlement sheet**
- 4. Insurance Policies - for one year in case of emergency and to compare to next year**
- 5. Do Not Saves – bills you do not deduct, anything you do not refer to or is available online like instruction manuals, quarterly investment/brokerage/retirement account statements you can consolidate into histories if needed to prove investment basis**
- 6. BEST PRACTICE – Finances Binder listing all accounts everywhere, including login and password access, contact info and the most current statement copy**

Micro-shred when disposing. After six years minimum, keep it longer always works if you have doubts and space, especially electronic space. More details and reasons why follow on the list below. This list is not all-inclusive but gives examples with general guidelines.

Forever Keep Papers - Permanent originals to keep in a safe place for your lifetime

Personal identification proof: birth certificate, marriage license, family trees

Military papers: discharge, decorations, benefits notifications, burial arrangements

Crucial medical records: immunizations, test results histories, diagnoses, treatment plans

Legal documents: titles, deeds, judgments, loan payoffs, employment contracts, wills

Favorite mementos: drawings, letters, and keepsakes with a note of what they mean to you

Why? – original seal and signature proof of who you are, your service and health history, your obligations, wishes, and mindset for you and your heirs. Store copies of these originals with your other records below. All documents after this can be scanned and kept electronically.

Where is a safe place? Electronic/digital/scanned records are preferable due to minimal space and multiple safe storage locations to prevent data loss. Micro-shred any paper originals after confirming your PDF scans. Keep backups in a minimum of three places in separate locations like: your computer, multiple USB drives, cloud storage, fire-proof safe, safe deposit box or with trusted family. Balance your access needs with safeguarding practices as you require.

Income Tax Returns and Related Support: Related support is W-2's, 1099 Forms, etc. that provide the tax return info reported. Also proof of payment, like bank and credit card statements, for deductions claimed. Keep for six years after the filing date. Gift tax returns are saved for your lifetime for settling your estate. **Best practice is saving all years of tax returns and support on a protected USB drive. A lifetime of government papers miniature and portable to any PC.**

Why? - IRS can assess additional taxes within three years of the return filing date but has up to six years if they determine substantial income was omitted. The best practice is paramount when you have made nondeductible retirement plan contributions or Roth conversions in the past to reduce future taxes. Tax returns and support are sometimes a guide map to settling your affairs, showing what assets you have and where, but best practice for that is a Finances Binder.

Bank and Investment Statements: Save checking, savings, and investment account statements for six years. Banks usually only hold statements for one year online. If you hold your investments longer (you should), call shareholder services for a “cost basis history for all time available” rather than quarterly reports, especially before switching brokers.

Why? – Proof of no other substantial income to IRS per the six-year rule. If you ever need Medicaid assistance, records for five years backward are required with the application. When investments are sold, statements establish your cost basis. More cost basis lowers your gains and the taxes to pay. For art and collectibles, keep the initial purchase papers until sold for taxes.

Home Improvement File: Start with the Closing Disclosure/HUD Statement when you buy your home. Add a running list of all home improvements with their receipts until you sell the house. End with the Closing Disclosure for the date of sale. Keep the file with that year’s tax return supporting documents. Shred after six years by the income tax returns heading. Do this for every real estate property you own whether personal, rental or business.

Why? – Knowing the last time an appliance or the roof was replaced. This becomes more important as you approach selling the home. Calculating the gain for your taxes is much easier.

Insurance Policies: All current policies should be in an easily accessible safe place. This includes home, auto, life, disability, and long-term care. Great to keep in the Finances Binder.

Why? - Retain for emergency use and to compare coverages/costs when the new policy arrives.

Finances Binder: The best practice to summarize your financial life. Start with a numbered list of all your financial accounts everywhere. This list is the perfect place to write all your updated logins and passwords and any contacts for each account. Keep the most current statement here even if you do not save the past ones. Too many accounts and need to consolidate? Have you completed designation of beneficiary forms for your heirs for all accounts left? Can the person settling your affairs get access to funds and is cash ready to pay any bills while your finances are settled? Completing these steps now means not adding extra grief later.

Everything else may be a Do Not Save: Keep only if important to you or you refer to it. No reason to keep utility or phone bills unless you are deducting them via a rental or home business. Can you consolidate your quarterly investment/brokerage/retirement account statements into a yearly one, or a more condensed history if you need to save it for cost basis reasons? Check what is available online, like instructions for your lawnmower and other household items.

Why? – Purging makes more room for all those drawings from your kids, and your grandkids!