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# ARE YOU DROWNING IN PERSONAL FINANCE PAPERS? WHAT TO KEEP AND WHAT TO TOSS

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Is your file cabinet full, yet you still have additional boxes of receipts, bank statements, and other financial papers? Are you afraid to throw out financial documents? Or do you throw everything away? No matter what your circumstances, it is important to keep some documents and shred others. Simple organization takes a minimal amount of effort and will help keep the documents you need and get rid of the papers you don't need. Here are a few guidelines that will help you organize your personal finance papers.

## **Shred those unneeded documents**

Why shred your unwanted financial papers? Because identity theft is one of the fastest-growing crimes in the U.S. Every day we throw away papers with personal information on them. Identity thieves search for this information to sell or use for their own profit. To minimize your risk, shred any papers that include your personal identification and account numbers. That includes pre-approved credit card offers! The best type of shredder is one that turns your documents into thin vertical strips or confetti. You can purchase a shredder at any office supply store or large discounter for \$30 to \$40.

## **Keep for infinity—Yes, some documents you need to keep forever**

Store these in a safe deposit box at the bank or a fireproof box in your home. Large fireproof boxes are available at office supply and hardware stores for about \$100. The fees for a safe deposit box can range from \$10 to \$75 a year, depending on the size of the box. If you choose to rent a safe deposit box, it is a good idea to make an inventory of the contents and put the list in your financial notebook or permanent file at home. Some of the documents to keep in these storage places are hard-to-replace documents including:

- Your will (have a back-up copy filed with your attorney).
- Birth and death certificates, marriage licenses, prenuptial agreements, alimony and child-custody agreements, divorce decrees, adoption papers, military records, and citizenship papers.
- Passports.
- Your health care power of attorney which gives someone you trust the legal right to make medical decisions for you if you become incapacitated.

- Copies of your IRA, 401(k) and other retirement account participation plans. These forms determine what happens to the money in these accounts when you die, not your will. If you haven't kept copies of the forms that name your plan beneficiaries, contact your retirement plan custodians and they will send you copies. Keep your beneficiary names and addresses current.
- All current insurance policies: home, health, disability, and auto.
- Deeds, property titles, mortgages, stock and bond certificates, and employment contracts.

**Long-term files—Keep these documents for at least 7 years**

Store these documents in a file cabinet at home or in multiple file boxes:

- Income tax returns (state and federal) with all supporting documentation. Supporting documents include receipts for business expenses, charitable contributions, casualty losses, and cancelled checks for any other tax-deductible expense. Usually tax returns will be audited within 3 years. In some instances an audit may be held 6 years after the return is filed. Therefore it is wise to keep tax returns and all supporting papers for the last seven years. If you haven't kept copies of your recent federal tax returns, you may want to buy copies from the IRS. Tax returns often contain information about earnings and assets that you may need at some time. To obtain tax forms, send form 4506, "Request for Copy or Transcript of Tax Form" to the Internal Revenue Service, P.O. Box 9941, Photocopy Unit, Stop 6734, Ogden, UT 84409. The cost, currently, is \$23. for one year's return.
- Wage/salary records and annual payroll check stubs.
- Cancelled checks or bank statements.
- Savings account records.
- Monthly statements including information from the bank, brokers, mutual funds, 401(k) and other retirement plans, individual

- retirement accounts (IRAs), Roth IRAs, and 529 college savings plans. Staple multi-page documents to keep them together in the file.
- Automobile, truck, and farm machinery titles. When you sell, give the maintenance records to the new owner.
- Guarantees and warranties. Write the date and place of purchase on the guarantee or warranty. Keep records of the type and date of all repairs.
- Keep documents showing the dates and cost of improvements to your home. These records can help in the case of a dispute over damage from flood, fire, or other disasters and can help the insurance company cover your losses.

**Short term storage—0 to 3 years**

Store these documents in a file cabinet or file box:

- Papers that confirm the selling or buying of stocks, bonds, etc. Discard quarterly statements once you receive the year end statement.
- Pay stubs. Keep monthly stubs to match your year-end statement. Then you may shred the stubs. Keep the year end stubs for at least three years.
- Credit card statements if they list tax-deductible expenses or charitable gifts. Keep those with your tax papers. If not, shred at the end of the year.
- Utility and telephone bills. You may shred as soon as they are paid, or keep them for financial records. When selling or renting property, tenants may want to review recent utility bills to determine what they will be paying.
- ATM receipts/deposit slips. As soon as they appear on the bank statement, shred.
- Medical bills. Hang onto these for a year in case you have a dispute over a reimbursement or are billed for something already paid. Shred unless they support a tax deduction, in which case, file with your tax documents.

### Plan for a yearly overhaul

Even the best record-keeping system won't fill your needs forever. Changes in employment or your lifestyle require some adjustments in your record-keeping requirements. At least once a year, plan to review your files and do some housecleaning. January is a great time for a record-keeping overhaul, since tax time will require you to look at your financial picture.

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