

It should not take the filing of a tax return or a death in the family to finally create order out of paper chaos so you are not forced to scramble in those critical circumstances. The chances of making costly errors are too great not to take some very simple, albeit essential, measures to get and stay organized all year long. Today you can begin a system of document disposition which will simplify your financial life for you and your family. It starts with knowing what you need to keep, for how long and where to keep them – beginning with the most disposable:

Keep for a week or less

- Bank deposit slips and ATM receipts can be trashed as soon as you record the transaction or see them recorded on your online account. You can eliminate these altogether by opting for email delivery.
- Where to keep them: Close at hand, in a dedicated drawer or file. Shred when no longer needed.

Keep for a month

- Receipts for credit card purchase and credit card statements can be tossed once you verified the purchases on your statement. The possible exception is if you need to keep a receipt for tax purposes or for a warranty. You could consider scanning your receipts so you can maintain them digitally.
- Where to keep them: In a dedicated drawer or file; Shred when no longer needed.

Keep for a year

- Pay stubs can be tossed after reconciling them with your W2 statement.
- Paper bank statements and cancelled checks if needed for tax purposes. Using paperless banking can eliminate the need to maintain paper copies.
- Investment account statements can be tossed once you receive an annual statement.
- Medical receipts can be trashed after tax filing season (sooner if you only file for the standard deduction).
- Where to keep them: In a dedicated file and/or online storage through your employer, bank or brokerage firm. Shred when no longer needed.

Keep for 7 years

- Documents that support your tax returns – 1099 statements, W2, charitable contribution receipts, and other documentation used to support deductions.
- Where to keep them: In a dedicated file, filed by tax year.

Keep forever

- Tax returns – the IRS has three years in which to conduct an audit; however if there is any chance you may have under-reported your income they can do so indefinitely.
- Annual statements for investment and retirement accounts.
- Receipts for home improvements until you sell the home and for tax documentation.

- Investment statements that support cost basis information (Post-2011 transactions are now maintained by your brokerage firm).
- Receipts for big purchases for insurance documentation until they are disposed of.
- Where to keep them: Dedicated file and/or, in the case of returns and statements online storage.

Legal documents (physical copies)

Any physical document that is evidence of a legal proceeding, activity or occurrence should be maintained in a secure location such as a fire-proof and theft-proof safe or a bank safety box. While you may find it convenient to scan copies for digital storage, a physical copy should always be maintained and accessible by family members. This includes:

- Birth certificates
- Citizenship papers
- Custody agreement
- Deeds and titles
- Divorce certificate
- Loan/mortgage paperwork
- Major debt repayment records
- Marriage license
- Military records
- Passport
- Powers of attorney
- Stock certificates
- Wills and living wills
- Anything with an original signature or a raised seal

A word about Shredding

First, not everything of financial concern needs to be shredded. Generally, if it doesn't contain an account number or your Social Security number it doesn't have to be shredded. Still, anything that can fall into the hands of another person can present a privacy risk. Otherwise, shredding your documents using a cross-cut shredder is a must for identity-theft protection.

A word about record-keeping in the cloud:

Depending on the type of record and the online storage used, record-keeping in the cloud can be as safe, or safer than storing a physical copy. However, any document that must be maintained for 7 years or longer should be kept in physical form in a secure location.

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