



FINANCIAL PLANNING RESOURCES:

Maintaining Your Financial Records



How long should you keep your records?

Generally, a good rule of thumb is to keep financial records and documents only as long as necessary. For example, you may want to keep ATM and credit-card receipts only temporarily, until you have reconciled them with your bank and/or credit-card statement. On the other hand, if a document is legal in nature and/or difficult to replace, you will want to keep it for a longer period or even indefinitely.

Some financial records may have more specific timetables. For example, the IRS generally recommends that taxpayers keep federal tax returns and supporting documents for 3-7 years after the date of filing. Certain circumstances may even warrant keeping your tax records indefinitely.

Listed below are some recommendations on how long to keep specific documents: Records to keep for one year or less:

- Bank or credit union statements
- Credit-card statements
- Utility bills
- Auto and homeowners Insurance policies

Records to keep for more than a year:

- Tax returns and supporting documentation
- Mortgage contracts
- Property appraisals
- Annual retirement and investment statements
- Receipts for major purchases and home improvements

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Keeping Organized

An important part of managing your personal finances is keeping your financial records organized. Whether it is a utility bill to show proof of residency or a Social Security card for wage reporting purposes, there may be times when you need to locate a financial record or document—and you will need to locate it relatively quickly. By taking the time to clear out and organize your financial records, you will be able to find what you need exactly when you need it.

What should you keep?

If you tend to keep stuff because you “might need it someday,” your desk or home office is probably overflowing with nonessential documents. One of the first

steps in determining what records to keep is to ask yourself, “Why do I need to keep this?”

Documents you should keep are likely to be those that are difficult to obtain, such as:

- Tax returns
- Legal contracts
- Insurance claims
- Proof of identity

On the other hand, if you have documents and records that are easily duplicated elsewhere, such as online banking and credit-card statements, you probably do not need to keep paper copies of the same information.

Records to keep indefinitely:

- Birth, death, and marriage certificates
- Adoption records
- Citizenship and military discharge papers
- Social Security card

Keep in mind that the above recommendations are general guidelines, and your personal circumstances may warrant keeping these documents for shorter or longer periods of time.

Out with the old, in with the new

An easy way to prevent paperwork from piling up is to remember the phrase “out with the old, in with the new.” For example, when you receive this year’s auto insurance policy, discard the one from last year. When you receive your annual investment statement, discard the monthly or quarterly statements you have been keeping. In addition, review your files at least once a year to keep your filing system on the right track.

Finally, when you are ready to get rid of certain records and documents, do not just throw them in the garbage. To protect sensitive information, you should invest in a good quality shredder to destroy your documents, especially if they contain Social Security numbers, account numbers, or other personal information.

Where should you keep your records?

You could go the traditional route and use a simple set of labeled folders in a file drawer. More important documents should be kept in a fire-resistant file cabinet, safe, or safe-deposit box.

If space is tight and you need to reduce clutter, you might consider electronic storage for some of your financial records. You can save copies of online documents or scan documents and convert them to electronic form. You will want to keep backup copies on a portable storage device or hard drive and make sure that your computer files are secure.

You could also use a cloud storage service that encrypts your uploaded information and stores it remotely. If you use cloud storage, make sure to use a reliable

company that has a good reputation and offers automatic backup and technical support.

Once you have found a place to keep your records, it may be helpful to organize and store them according to specific categories (e.g., banking, insurance, proof of identity), which will make it even easier to access what you might need.



Consider creating a personal document locator

Another option for organizing your financial records is to create a personal document locator, which is simply a detailed list of where you have stored your financial records. This list can be helpful whenever you are trying to locate a specific document and can also assist your loved ones in locating your financial records in the event of an emergency. Typically, a personal document locator will include the following information:

- Personal information
- Personal contacts (e.g., attorney, tax preparer, financial advisor)
- Online accounts with username and passwords
- List of specific locations of important documents (e.g., home, office, safe)



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