

How do you decide what to toss and what to keep?

Building a plan for maintaining your most critical documents can be tricky. Follow these general guidelines to get started.

Toss after One Year

- Monthly bank and credit card statements (if you don't itemize deductions)
- Monthly or quarterly brokerage statements after reconciling. You do need to keep any buy/sell statements and reconcile with your year-end statements.
- Monthly mortgage statements. But hold on to all year-end statements that show interest and taxes paid.
- Paycheck stubs, once you've reconciled them with your annual W-2 or 1099 forms.

Keep for Seven Years

- W-2 and 1099 forms
- Year-end statements from credit card companies
- Any business expenses that you claim
- Annual mortgage, property tax, or tax-deductible expense documentation
- Important contracts unless active, keep indefinitely
- All papers that support your tax returns for the past seven years. After seven years, you can purge the supporting documents and just keep the returns. (The IRS may audit you for no reason up to three years after you filed a tax return. If you omit 25% of your gross income that goes up to 6 years. If you do not file a tax return at all or filed a fraudulent return, there is no statute of limitations.)
- Records of selling a house—becomes part of tax documents after sale
- Major home improvement records—keep forever until the house is sold. Once sold they become part of the records of selling a house.
- Insurance documents

- Year-end summaries from financial services companies—keep forever or until the investment is sold
- Records of pensions and retirement plans

Keep forever!

- Birth certificates/adoption papers
- Marriage certificates
- Beneficiary designations/wills
- Divorce decrees/custody agreements
- Social Security cards/citizenship papers
- Bonds and stock certificates
- Deeds/titles to property
- Audit reports
- Death certificates

These hard-to-replace documents should be kept in a safe place, like a safe deposit box, fireproof safe, or at the very least, a locked filing cabinet.

Home & Office Reminders

If you're claiming a home office on your tax return, make sure you keep everything that relates to those expenses such as utilities, rent or mortgage payments, and office, phone, and computer expenses. Keep a file for each category that you list as a deduction.

If you are not claiming a home office deduction, you can toss the following each month:

- Bank deposits and ATM receipts after recording them in your check register
- Credit card receipts after you have checked for accuracy on your statements
- Sales receipts for everyday purchases if there is no associated warranty
- Utility statements when the next month's statement arrives

For more detailed information, please visit the IRS website (www.irs.gov/publications/p552/ar02.html) and remember to visit your financial advisor or accountant for more specific information regarding your own personal situation.