

Recordkeeping

Your Financial Records: What to Keep and What to Toss

Your desk is cluttered with old bills, and you spent the last hour searching for the DVD player receipt. These are two sure signs that you need a record keeping makeover. The following checklist will help you determine what you should keep and what you can safely toss away.

Bank and credit card records

Keep receipts of your bank deposits and ATM transactions until you receive your bank statement and can verify that the transactions were properly posted to your account. Then feel free to toss them. If your bank still sends your canceled checks to you, don't worry about keeping these. Save only those needed as support for tax purposes.

Check your credit card statements when they come in to be sure that your charges and payments are posted correctly. Retain them only if you think you might need them to substantiate a tax deduction, verify a purchase, back up a warranty, or track spending.

Personal papers

Some records should be retained indefinitely. These include birth and marriage certificates; separation and divorce documents; real estate deeds, titles, and property surveys; military records; passports and citizenship or naturalization papers; Social Security cards; and family health and immunization records.

Bills and pay stubs

Once you've paid a bill and verified that the check has been cashed, you generally can throw away the bill. You may want to keep bills for jewelry, furniture, and other major purchases in case you need to prove their value in the event of loss or damage. Receipts for items under warranty should be kept until the warranty expires.

It's a good idea to keep your pay stubs until the end of the year, when you can compare the year-end totals with the amounts shown on the W-2 form you get from your employer. If the information matches, you can discard your pay stubs.

Tax returns

Tax returns and supporting data should be kept for at least seven years after your original return is filed. The IRS generally has three years to challenge your tax return; that can be extended to six years if the IRS has reason to believe that you substantially underreported your income by omitting from gross income an amount greater than 25 percent of the gross income stated on your return. There is no time limit on when the IRS can institute an audit if the return is fraudulent or if no return is filed for the year. Even though it may be safe to throw out the supporting data after seven years, hang onto the returns themselves since they provide an excellent financial history.

Keep it under control

Make it a point to keep your financial paperwork under control on a regular basis so you can spare yourself the overwhelming task of sorting through lots of financial documents down the road.

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