

How Long Do I Really Need To Keep This?

by Maria Gracia

Every year April 15 rolls around, and so many people ask me the infamous question, *How long do I need to keep all this stuff??!!*

And the answer generally is that if it has anything to do with your taxes, probably for a long time.

But have no fear! The average family can keep it all organized with a good filing system throughout the year, and some catalog envelopes to store documents from past years.

So how long do you need to store these records you'll probably never look at again? While you should always check with your accountant for your specific personal guidelines, according to www.bankrate.com, some of the basic records retention rules are as follows:

- **Audit Reports:** Forever
- **Bank Deposit Slips and Statements:** 6 Years
- **Brokerage Statements:** Keep until you sell the security
You need the purchase/sales slips from your brokerage or mutual fund to prove whether you have capital gains or losses at tax time.
- **Credit Card Receipts:** Keep your original receipts until you get your monthly statement; toss the receipts if the two match up. Keep the statements for seven years if tax-related expenses are documented.
- **Current Contracts and Leases:** Life of Contract, plus 3 Years
- **Housing Records:** As long as you own the home, plus 6 years.
 - Keep all records documenting the purchase price and the cost of all permanent improvements -- such as remodeling, additions and installations.
 - Keep records of expenses incurred in selling and buying the property, such as legal fees and your real estate agent's commission, for six years after you sell your home.
 - Holding on to these records is important because any improvements you make on your house, as well as expenses in selling it, are added to the original purchase price or cost basis. This adds up to a greater profit (also known as capital gains) when you sell your house. Therefore, you lower your capital gains tax.
- ◆ **Insurance Records:** Life of the policy, plus 10 years.
- **Investment Records:** 6 Years after sale of the investment. Discard your monthly statements once you receive the annual summary that reflects yearly activity.
- **IRA Contributions:** Forever
If you made a nondeductible contribution to an IRA, keep the records indefinitely to prove that you already paid tax on this money when the time comes to withdraw.
- **Legal Correspondence:** (Marriage Certificates, Death Certificates, Divorce Papers, etc.):
Forever
- **Paid Bills:** 1 Year
Go through your bills once a year. In most cases, when the canceled check from a paid bill

has been returned, you can get rid of the bill.

However, bills for big purchases -- such as jewelry, rugs, appliances, antiques, cars, collectibles, furniture, computers, etc. -- should be kept in an insurance file for proof of their value in the event of loss or damage.

- **Pay Check Stubs: 1 Year**
When you receive your annual W-2 form from your employer, make sure the information on your stubs matches. If it does, toss the stubs. If it doesn't, request a corrected form, known as a W-2c.
- **Retirement and Savings Plans: From one year to permanently**
 - Keep the quarterly statements from your 401(k) or other plans until you receive the annual summary; if everything matches up, then toss the quarterlies.
 - Keep the annual summaries until you retire or close the account.
- ◆ **Tax Returns and Supporting Documentation: 7 Years**
 - The IRS has three years from your filing date to audit your return if it suspects good faith errors.
 - The three-year deadline also applies if you discover a mistake in your return and decide to file an amended return to claim a refund.
 - The IRS has six years to challenge your return if it thinks you underreported your gross income by 25 percent or more.
 - There is no time limit if you failed to file your return or filed a fraudulent return.
- ◆ **Warranties/Guaranties: Life of the Product**

Source: www.bankrate.com