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[Credit Cards](#) > [Credit Card News](#) > What records to keep and how long to keep them

What records to keep and how long to keep them

Some paper's necessary, some is clutter. Know the difference

By Michelle Crouch

Tired of sorting through shoeboxes of receipts and overflowing piles of paper to prepare your taxes? Don't stop now. This is the time to create a system to organize your financial records that will make the whole process easier next year. It doesn't have to be anything fancy. But it could save your hide if Uncle Sam comes a-knockin', if your wallet gets stolen or if your house ever burns down. Not to mention the time you'll save in the long run.

Organizing your financial records can also give you a firmer grasp of your finances, so you have a better idea of what you can afford, says professional organizer Julie Morgenstern, author of "Organizing From the Inside Out." Who knows? You may even end up with some extra cash. "About 70 percent of my clients find money," Morgenstern says. "They'll find checks that didn't get deposited, bank accounts they forgot about or medical bills that they can file to get reimbursement from their insurance company."



We talked to Morgenstern and other experts to get their top tips on which records to toss, which ones to keep and the best ways to store and organize it all.

Step 1: Toss what you can

A lot of what you've got stashed in those piles of paperwork and in your overflowing file cabinets can probably be pitched. Just make sure you protect your identity by shredding anything that contains more personal information than you can find in the phone book. Among the records you can purge:

- **Receipts.** You can throw away receipts for most purchases pretty quickly, especially if you paid with cash. If you paid with a debit or credit card, keep those receipts in an envelope or on a receipt stand (basically, a nail on a base) until you've checked to make sure your bank or credit card statement is accurate. The only receipts you really need to keep longer are those for home improvements and major purchases (to get the warranty or prove their value in the event of loss or damage) and those you need for tax purposes. Of course, if there's a chance you might want to bring back that expensive new coat or pair of shoes, you should hang onto to those receipts as well, at least until the return period is up.
- **Credit card statements.** Most experts say you can toss monthly statements once you've checked them for accuracy, unless they're your only record of a tax-related transaction. If you end up needing a statement for some reason, most banks archive them for you online.
- **Junk mail.** Throw away investment and bank brochures you've already read, preapproved credit offers and catalogs or magazines more than 3 months old. (If they've been around that long, you're never going to read them.) Be ruthless when it comes to invitations to past events, offers you're not ready to act on immediately and old greeting cards, unless they contain a

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Credit Card Rate Report

Updated: 03-16-2010

National Average	14.47%
Business	12.20%
Low Interest	12.24%
Cash Back	12.57%
Balance Transfer	12.77%
Student	14.10%
Airline	14.43%
Reward	14.48%
Instant Approval	18.41%
Bad Credit	20.84%

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Step 2: Sort and organize

Once you've purged, separate must-keep papers into three categories: those you need to keep for one calendar year, those you need to keep for a longer period and hard-to-replace documents like birth and marriage certificates. (See chart: [What records to keep, how long to keep them.](#)) Then decide on a home for each. "Just make your system as simple as possible so you actually use it," says Brandi Kajino, a home office consultant in Vancouver, Wash. "You can have a beautiful filing cabinet but if it's empty, that's not helping you."

- **Documents you'll keep for a year.** These records are best kept in a filing cabinet or box that's easy to access, organizers say. Create folders with topics such as pay stubs, bank statements, utilities, phone and auto bills. This is also the place to keep tax-related receipts for business expenses and charitable contributions. If you hate filing or you're short on space, try an accordion file or a set of stacked letter boxes, Kajino says.
- **Long-term storage.** Most organizers recommend clearing out your files after you do your taxes and placing your return and other documents in a box or bin labeled with the year. To keep them safe and dry, choose a plastic container with a lid. Wondering how long to keep your returns? The IRS has three years to audit you if it discovers good-faith errors; six if you significantly underreported your income. But many experts say if you have the space, the safest strategy is to keep them forever. "You just never know when you're going to have to go back and prove something," says Michael Tonkovic, a director in PricewaterhouseCoopers' Washington National Tax Services group. "Let's say you worked for a pizza parlor when you were in college and when it comes time for you to be paid Social Security, you don't see those wages on your wage statement for Social Security. One way to prove that is if you kept that tax return and W2." Another scenario: Your employer or tax accountant is being audited for fraud committed 10 years ago. (There's no time limit if fraud is suspected.) Chances are, the IRS is going to want to see your returns as part of its investigation.
- **Vital documents.** Records such as marriage and birth certificates, passports, Social Security cards, wills, death certificates and titles should be kept in a very safe place. Some experts say a safety deposit box is best, though it might be tough to access at odd hours, and if you die, the box may be sealed. Another good option: a fire and waterproof box or cabinet. Either way, make sure you keep copies of these documents in a separate location. Don't forget to include a household inventory or video, and a list of all of your important accounts.

Step 3: Stay on top of it

Now that you've created a system, the key is to actually use it. Some tips:

- **Create a home financial center.** Choose a single place where you will open bank statements, pay bills and file documents. Your computer, shredder and scanner should be nearby. The best location, says Morgenstern, is where papers naturally accumulate. "If your papers are all over the kitchen counter and your office is upstairs, you have to move your office to the kitchen," she says. "You need to work where you gravitate because you're never going to retrain yourself." That may mean clearing out a cabinet or investing in a rolling file cart.
- **Plan for incoming paper.** To prevent piles from forming again, have a plan for how you will handle mail as it comes in. Kajino recommends a few folders or letter boxes with labels such as "action" for papers you need act on, "data entry" for phone numbers or receipts and "read and review" for newsletters and articles you want to read.
- **Set home office hours.** Whether you spend a little time each night or two hours every Saturday morning, pick a regular time to pay bills and file your financial statements, then put it on your calendar and stick to it. "It should be the same day and time of day every week," Morgenstern says. "You can't just do it when you're in the mood or when you have spare time. Neither of those ever occurs." Plan to invest a minimum of an hour a week.
- **Go digital.** Programs such as Quicken make it easy for you to track spending, reconcile your bank statements and eliminate extraneous paper. You can also pay your bills online and download bank and credit card statements to your computer, saving them there instead of in paper form. The IRS considers electronic documents to be as good as paper. Just make sure you encrypt the files and store backup copies on a USB flash drive, a CD, a DVD, a portable hard drive or with a Web-based storage service.

CHART: WHAT RECORDS TO KEEP, HOW LONG TO KEEP THEM

Document	How long to keep it	Why
Tax returns and supporting documents	Seven years after the return is filed to forever.	The IRS has three years to audit your return if it suspects good-faith errors, six years if it believes you underreported your income by at least 25 percent and an unlimited time if it is investigating fraud. At a minimum, hold on to your W-2s until you begin earning Social Security since they offer the best estimate of your earnings.
Brokerage statements / investment records	Keep monthly statements for one year; you can dump them if your annual statement summarizes all activity. Keep the yearly summaries as long as you own the security, plus seven years.	You need proof of your purchases to prove capital gains and losses on your tax return.

Retirement plan statements	Keep quarterly statements for one year; dump them once you match the figures with your annual statement. Keep the annual summaries until you retire.	Records of your contributions to your Roth IRA prove that you already paid the tax on it.
Home improvement and other real estate records	Until you sell the home, plus seven years.	They establish your cost basis in the home and could help lower your capital gains tax on the property.
Credit card statements	One month	Toss once you check them for accuracy, unless they're your only record of a tax-related transaction.
Pay stubs	One year	Shred once you get your W-2 and you make sure the numbers match.
Bank statements	Keep monthly statements for one year. Keep annual statements related to your taxes for at least seven years.	They provide proof of income from interest-bearing accounts and can be a record of tax-related transactions.
Utility and phone bills	One month	Keep until you get the next statement showing that you paid, unless you need it for tax purposes.
Receipts	One month, for purchases such as groceries and restaurant meals, until you match them with your credit card or bank statement. For expensive purchases (jewelry, furniture, appliances), staple the receipt to the owner's manual and keep it as long as you own the item.	Receipts for big-ticket items are necessary to activate the warranty or replace a defective item and can prove an item's value to an insurance company.

See related: [Opting out of a credit card rate increase? Keep records!](#), [Glossary of common credit card terms](#)

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