



MONEY WISE

VALUING PEOPLE. VALUING MONEY.
MANAGING IN TOUGH TIMES INITIATIVE



Kelly May
Senior Extension Associate
(859) 562-2304
k.may@uky.edu

JANUARY 2020

THIS MONTH'S TOPIC:

ORGANIZE YOUR MONEY RECORDS IN THE NEW YEAR

The new year is a recognized time of refreshing and refocusing. This year consider streamlining your financial paperwork. It can be a challenge to know what to shred and what to keep, as well as how to organize it. The following are some tips.

Think about why you might need receipts or statements in the future. Generally, if you don't need it for proof or to justify tax claims and deductions, you may not need to keep it. As you dispose of unneeded paperwork, be sure to shred anything with social security or bank account numbers. If you dispose of a hard drive that includes personal files, you may need to remove information first.

TIMELINE

Less than a year

- Shred bills and statements for utilities and services after verifying that payment has posted.
- Shred credit card statements after verifying that payment has posted, unless you need proof of a major purchase payment.
- Shred bank receipts and canceled checks after reconciling them with your monthly account

statement, unless you need to keep them with your tax return.

- Keep bank statements, checkbook ledgers, and duplicate checks for up to a year, then shred.
- Keep quarterly brokerage statements until you can reconcile them with your annual statement.
- Keep insurance policies until you get your new annual policy.
- Shred paycheck stubs after reconciling them with your W2 form for the year.
- Shred sales receipts for everyday items right away, unless you might return an item.





More than a year

- Keep loan documents until the balance is paid in full. Keep proof of payoff indefinitely.
- While you own the property, keep documents that prove ownership, such as deeds, liens, vehicle titles, registrations, and stock or savings certificates.
- Keep rental agreements and receipts while you live there. Shred once you move out and get back your deposit.
- Keep warranty paperwork and sales receipts for major purposes for the life of the warranty.

Three to seven years

- Tax records and accompanying paperwork should be kept on file for up to seven years in case of questions or amended returns. To learn more, visit http://bit.ly/FCS_MoneyWiseIRSrecords.
- Keep tax-related receipts, canceled checks, and records for deductions with your tax papers.
- Keep health care records for three years, especially employer-provided coverage and records for tax credits received.
- Keep real estate records permanently while you own the property. After selling, keep records for up to seven years. Keep receipts for substantial home improvements until you sell your home and pay any capital gains taxes.
- Keep your investment account annual statements and sale or purchase records for as long as you own the securities, plus seven years.

Keep forever

- Documents to store permanently in their original form include records that prove your identity and legal papers. These include birth certificates, marriage and divorce decrees, military discharge papers, social security cards, and more. For a full list, review <http://bit.ly/FCS5-422>.

STORAGE/FILING

Store your “keep forever” documents in a locked, fireproof box or safe. Organize your other paperwork in a file cabinet or file box that can be placed in a discreet location in your home if not locked.

Alternatively, you could digitize the records. Scan paper copies or save electronic copies directly into a computer file system. If you store data in the cloud, make sure the provider uses encryption. A more secure option is to store your records on a password-protected removable medium, such as a flash drive or disc. Back up your files in a second location.

Create a place to store tax records as they arrive. Also create a separate folder for home repair records.

References:

IRS News Release. “Tax Preparedness Series: Tax Records – What to Keep.” Dec. 6, 2016. (Retrieved Dec. 9, 2019) <https://www.irs.gov/newsroom/tax-preparedness-series-tax-records-what-to-keep>

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Kelly May, Senior Extension Associate, Family Finance and Resource Management

Jennifer Hunter, Ph.D., Assistant Director of Family and Consumer Sciences Extension, University of Kentucky Cooperative Extension Service, (859) 257-3887; jhunter@uky.edu

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