

Organizing Financial Paperwork

Follow this guide to clean up your financial clutter

Raise your hand if you ever had to search for misplaced financial paperwork when paying bills or preparing your taxes. Most of us have spent time looking for a financial statement at one time or another.

There's a certain financial peace of mind that comes with knowing where things are. This guide for what to keep and what to toss can help.

Getting organized doesn't have to be an overwhelming exercise. Just find a filing system that works for you and get started. It can be as simple as using four file folders: keep for now, discard after payment, save for tax season, and file permanently.

Go Paperless

You might already pay your bills online. Most banks, investment companies and charitable organizations offer electronic statements. If you haven't already, consider switching from paper to electronic statements. They are easy to save and you can find them online whenever needed.

Which Financial Papers to Keep

To organize these documents, scan them to your computer or simply file them in a bill/statement file.

- Keep paycheck stubs for one year to ensure they match your W-2.
- Keep receipts for big purchases (computers, furniture, jewelry, etc.) indefinitely for warranty and insurance purposes.
- If you make charitable donations via credit card, keep statements to support the income tax deduction.
- Keep year-end investment statements and other records as long as you own the securities.
- Keep nondeductible individual retirement account (IRA) records to prove you already paid income taxes on the contributions.
- With insurance policies that you renew each year, such as home, apartment and automobile, keep the most current contracts and dispose of older ones.
- Save tax returns indefinitely and supporting documents for six years. The IRS has three years to audit you and six to challenge underreported income. (See IRS.gov.)

Keep these documents in a safe-deposit box or fireproof safe:

- Wills, trusts and powers of attorney documents.
- Birth, marriage and death certificates.
- Adoption and custody papers.
- Life insurance contracts.
- Vehicle titles.
- Property deeds.

It can take months to replace lost originals, and the resulting frustration will far outweigh the organizational effort. Electronic copies will work for quick reference but won't make them legally useful, in most cases.

Which Documents to Toss

- Toss paid bills at your discretion. If you claim a home office tax deduction, keep utility bills for three years.
- Purge paper bank statements every few years, if you still get them (see Go paperless above).
- Pitch monthly/quarterly investment and retirement plan statements annually.

Remember to shred all documents containing confidential information such as your Social Security number, financial account numbers or other identifying information to guard against identity theft.

These are guidelines and may vary depending on your personal situation. In some situations longer retention may be required. This is not intended to be legal, accounting, or tax advice or services.