

Getting Rid of Financial Clutter

How long should you keep finance-related documents?

Keeping things simple is a worthwhile goal. In addition to making investing easier, it can help you keep your finances, including your financial records, in order. The benefits include less confusion and less time spent combing through papers.

Many people struggle over which financial statements and records to keep—and for how long—and which ones to throw out. And what's the best way to organize your files? Here are some guidelines:

Think about why

Why are you holding on to various records? Some documents clearly have short-term value while others have a long-term purpose. One way to put your financial files in order is to separate your short-term paperwork from your long-term items.

Current files

- Unpaid bills, paid bills, canceled checks, bank statements, credit card statements;
- Receipts for major purchases, this year's income-tax receipts, including tax deductions and charitable donations
- Insurance policies: life, health, disability, home and auto

Long-term files

- 7 years of income-tax records, including back-up information, such as W-2 forms and anything relating to tax deductions
- 7 years of bank statements, canceled checks and check registers

Time to throw out

- **Credit card receipts:** Toss them once you match them with your monthly statement unless you need to claim them as a business expense, or unless you need them for proof of purchase—for example, for a major purchase.
- **Credit card statements:** Throw them out as soon as your payment is posted unless you need them for tax purposes.
- **Pay stubs:** Keep the latest couple in case you apply for a mortgage; toss older ones.
- **ATM receipts:** Throw them out after reconciling them with your monthly bank statement.
- **Utility receipts:** Throw them out after your bill payment shows up on the next month's statement, unless you need them to deduct a home-office expense.



- **Investment statements:** Throw out monthly or quarterly statements after you compare them for accuracy with a year-end report.

Hold indefinitely

- **Investments:** Hold on to annual investment statements and records that show what you originally paid for stocks and mutual funds until you sell them and report tax gains and losses.
- **Home ownership:** Keep home improvement receipts and mortgage bills as long as you own your home
- **Receipts for major purchases**
- **Estate planning:** A copy of your will, inheritance papers, health care proxy forms, gift tax returns, powers of attorney
- **Warranties** and operating instructions for appliances
- **Retirement investment statements:** IRA and 401(k) statements
- **Insurance policies**
- **Personal papers:** Birth certificates, Social Security cards, legal papers about formerly owned properties

Be Organized

- Keep all your financial files in one place
- Keep the most recent files accessible
- Back up your computer files; keep the backup data in a safe place; provide computer passwords with your other vital information
- Keep your system easy—easy to keep, easy to use, easy to change.
- Each year, go through your short-term files and either throw out (recycle/shred) items or place them in your long-term file