

# Record Retention Guidelines for Individuals



Good record keeping is essential for tax purposes as well as overall personal success. It can be difficult to determine which documents to keep, where to keep them and for how long. Use the guidelines below to assess how long to retain your documents, as well as how to properly destroy them. If you have specific questions these guidelines don't address, please call us for more information.

## Record Keeping Best Practices

The best place to start when you're deciding what documents to save is to determine whether or not the document will have any long-term significance. Remember, records are evidence about your past that will provide you and your family value in the future. Assessing the usefulness of your documents means that not every grocery receipt laying around the house necessarily needs to be filed and saved.

### Important reasons to keep records:

- ▶ For tax purposes;
- ▶ In case of emergency;
- ▶ For documentation in case of legal disputes; and
- ▶ As proof of ownership or citizenship.

### Most documents fall within one of three categories:

- ▶ Keep permanently;
- ▶ Keep for 7 years (This is usually when the IRS statute of limitations expires); or
- ▶ Keep while it's relevant then shred it.

## Getting (and Staying) Organized

We suggest that you create your own record keeping system that will allow you to easily access information when you need it. There are multiple things to consider such as:

- ▶ Where will you safely keep your documents?
- ▶ How will you inform people closest to you about your personal information, should they need access to it?
- ▶ What kind of organization system will you have for your electronic records?
- ▶ When and how will you destroy outdated records?

## Places to Keep Your Records

When choosing where to keep your records, consider what will be easiest for you to remain organized. Below are placement options for both paper and electronic copies of your documents.

- ▶ Hard Paper Copies
- ▶ Fireproof safe
- ▶ Safety deposit box
- ▶ File cabinet

## Electronic Copies

Portable storage device — Ensure all files on device are encrypted with the encryption key safely hidden

Secure online location — There are numerous online storage options available today. The types of things you should look for in online storage include how much space you get at what cost, what types of backup options are offered, how secure the site is and how easy it is to restore a file if lost.

Regardless of whether you choose to maintain electronic records on a personal computer or online, make sure to take the appropriate security steps such as installing anti-virus software, enabling firewall programs and regularly changing passwords. In addition, if you're using an electronic storing or filing system, check each year to make sure your technology is current and you still have access to the files you're saving.

## Adequately Destroying Unnecessary Documents

We recommend glancing at your kept records at least once per year to determine which documents are still relevant and which can be destroyed.

To avoid risk of identity theft, use a cross-cut shredder to shred any paper document that includes your Social Security Number, personal information or an account number. For your convenience, we will gladly shred a small amount of your personal documents annually. We ask that you limit the amount to what fits in a 9 x 12 envelope. Simply bring your records to us, and we'll ensure they're properly disposed of.

If you need to destroy a large amount of documents, there are several reputable companies in the area that can assist you. Let us know if you need a recommendation. In addition, local credit unions and other businesses occasionally offer secure document disposal events that will allow you to bring unlimited amounts; watch the news for those announcements.

When destroying electronic records, deleting or moving files to the trash bin is insufficient as these files will still exist on your media. It's highly recommended to permanently delete, or, "overwrite" your electronic files. There are several commercial overwriting tools that will allow you to delete files, folders or entire hard drives.



When choosing one of these tools, be sure to read the instructions before performing any actions as you cannot recover files that have been overwritten.

If your electronic files are stored on a portable storage device such as a USB flash drive or CD that you do not need to re-use in the future, physical destruction is recommended. This can be done by breaking or incinerating the device.

Keep Permanently
Birth and death certificates
Contact list for attorney, accountant, banker and financial advisor (up-to-date)
Diplomas and transcripts
Estate and succession planning documents: up-to-date wills, powers of attorney, trusts and trust agreements
Gift tax returns and any supporting documents: business valuations, appraisals
Inventory of major possessions/valuables (up-to-date)
Marriage and divorce documents: certificates, alimony, custody agreements, child support payment receipts, prenuptial agreements
Military papers
Passports, citizenship papers and Social Security cards (even after expiration date)
Password list for accessing electronic records
Retirement records: 401(k) annual summaries (shred the quarterly statements if the annual matches up) and IRA Contribution Records
Tax Returns and Supporting Documents: (Organize all documents together by tax year) <ul style="list-style-type: none"> <li>▶ Bank statements (if related to business expenses, home improvements or mortgage payments)</li> <li>▶ Credit Card statements (if related to business expenses, home improvements or mortgage payments)</li> <li>▶ Cancelled checks (if related to business expenses, home improvements or mortgage payments)</li> <li>▶ Charitable contribution receipts</li> <li>▶ 1099s</li> <li>▶ Schedule K-1s from Partnerships or S-Corporations</li> <li>▶ Stocks, bonds and investment records</li> <li>▶ Any document that supports a deduction (e.g., medical bills, utility bills, receipts showing sales tax if exact deduction method used)</li> <li>▶ W-2s</li> </ul>

Keep During Ownership or While in Effect Plus 7 Additional Years
Certificate of deposit statements (after maturity)
Real Estate investment records (after sale of property): purchase documents, mortgage statements, documents related to repairs, inspection reports or major home improvements
Insurance policies
Loan records (keep statements while loans are in effect, then only keep documentation of payoff)

Keep During Ownership or While in Effect
<i>These items can be shredded or discarded once they no longer pertain to you or your taxes. If they're supporting tax returns, file them with your tax documentation for the corresponding year and keep for 7 years.</i>
Contracts or agreements (major): leases, service contracts or warranties
Receipts for major merchandise purchases (appliances, jewelry, computers, furniture, rugs, etc.)
Insurance policies
Vehicle records: title and Bill of Sale, service and maintenance records

Keep Less Than 7 Years/Don't Retain/Shred
Bank statements — shred after one year if they are not related to taxes, business expenses, home improvements or mortgage payments
Cancelled checks — shred after one year if they are not related to taxes, business expenses, home improvements or mortgage payments
Credit card statements — shred when accurately matched to monthly account statement, if they are not related to taxes, business expenses, home improvements or mortgage payments
Credit reports — shred when you receive an updated report
Employment pay stubs — shred annually once everything matches up with your W-2
Receipts for large purchases — keep with tax documentation or inventory, or shred once the item has been sold or discarded
Receipts for non-major purchases — shred when accurately matched to monthly account statement if not filed with tax documentation
Utility bills — shred after each payment has been correctly processed, except if: <ul style="list-style-type: none"> <li>▶ You're deducting them from your taxes, (keep them with your tax documentation) or</li> <li>▶ You need to establish residency for a driver's license, voter registration or other purpose, then keep at least 3 months of past bills</li> </ul>