Cooperative Extension Service
UNIVERSITY OF WYOMING
College of Agriculture

Keeping Financial and Household Records Safe

"I cleaned out an aunt's house and she had more than 25 years of bank statements, as well as all of the utility bills."

We all know that we need to retain important household papers and financial records. However, knowing what records to keep and for how long can be frustrating. Keeping records for an excessive period of time leads to clutter and can keep you from locating an important document when you really need it. On the other hand, disposing of household records too early can be risky.

Household and financial records are always changing, so taking the time to organize and keep you records up-to-date is important. Good record keeping is an essential part of sound financial management. There are three components to creating an efficient record keeping system:

1. *Establish a method for arranging, maintaining, and disposing of important records.* You can develop a simple or an elaborate record keeping system, but remember that an efficient filing system should simplify identifying, retrieving, and retaining records. Certain records should be retained for historical purposes and noncurrent records should be discarded.. Updating your household records once a year will make the task of managing household records easier. Disposing of nonessential or outdated records is just as important as retaining essential records to the overall efficiency of a record keeping system. You need to decide how you are going to organize your filing system. For example, you can organize your records based on degrees of activity, life cycle, or by some other method that is convenient for you.

   Methods for organizing basic groups of records are as follows:

   By degrees of activity

   - Immediate: Correspondence, forms, records, and other documents kept in or near your desk for immediate use, ease of access, and/or reference.
   - Current: Documents necessary to conduct the current management of your household.
   - Noncurrent: Records no longer required on a day-to-day basis to conduct household management activities.
   - Inactive: Records and documents you may need in the future.

   By life cycle

   Short-term: Records that will be used or retained for a relatively short period of time, generally one year or less.

   Long-term: Records that should be retained for more than one year.

2. *Identify important records*. When deciding whether you should keep a household or financial record, consider which records will be needed in the future to prove value, payment, cost, or ownership and the consequence if you do not retain the record.

3. *Determine an appropriate location for storing your records*. There are three places to keep important papers, depending on how long you need to store them—a home file, such as a filing cabinet, desk drawer, or cardboard box; an in-home fire proof container, and a safe deposit box located away from home.

What records should be retained?

The following is a guideline for the most common records retained by households and individuals. If you have special circumstances and are unsure about whether this guideline will apply to you, please consult a professional accountant or attorney.

Tax records: You must keep tax records **as long as they are important for any federal, state, or local tax law**. As a rule of thumb, the IRS has three years to challenge a return under ordinary circumstances, six years for returns in which income has been understated by more than 25 percent, and no time limit in cases of fraud.

- **Income tax return records**: All supporting documents, including receipts for tax-deductible items, records of taxable income, paycheck stubs, W-2 forms, 1099 forms, canceled checks, receipts for donated goods and contributions, and other documents are included in this category. Documents and records that verify an item of income, exemption, or deduction appearing on your IRS return should be kept at least until the statue of limitation expires for that return. This period is usually three years. To be completely safe, some tax advisors recommend at least a six-year retention period. The IRS can access a tax deficiency for three years from the date the return was filed or two years from the year the tax was paid, whichever is later. The IRS treats returns filed before the due date as filed **on** the due date.

- **Home and property tax records**: All tax records, including bills, canceled checks, receipts, contracts, and other documentation involving home and real estate purchases and property improvements, should be **retained as long as you own the property**, plus three years after the last date you filed a tax return for that property. You may need to prove the amount of gain or loss if the property is probated or sold, or you may want to adjust the income tax basis to reduce capital gains tax at the time of sale.

For more information about tax record retention, contact the Internal Revenue Service by telephone at 1-800-829-3676 or visit their Web site at www.irs.gov. Refer to IRS Tax Topic 305: *Recordkeeping* and IRS Publication 552: *Recordkeeping for Individuals*.

Long-term legal records:

- **Personal and family records**: Records that should be kept **permanently** are as follows:
  birth and death certificates; wills; social security numbers; citizenship papers; military service papers, including discharge certificate, service record, and disability letter; marriage licenses; divorce decrees and documents; adoption, custody, and child support information; pre- and post-nuptial agreements; court documents; educational records such as transcripts and diploma; and passports.

- **Financial records**: Records that should be kept **permanently** are as follows:.
  bank statements; savings passbooks and certificates; retirement investment information, rules, and regulations on Social Security, IRA's, and other annuities; pension and profit-sharing records; certificates of deposit; stock and bond certificates; stock or mutual fund purchase and sale confirmations; investment dividends; mortgages, leases, deeds, and titles on property and automobiles; personal property and possession inventories and appraisals; home ownership and rental records; notes, debts, and loan contracts; serial numbers of expensive items; reports from trusts; copies of legal papers pertaining to formerly owned properties; documents relating to family corporations and partnerships; and lists of the following:
  - Insurance policy numbers and company names
  - Checking and savings account numbers and financial institutions
  - Bank and credit card numbers and telephone numbers of issuers
  - Passwords and personal identification numbers (PINs)

Insurance records: Keep insurance records, policies, and documents as long **as they are in force**. Keep life insurance policies for the lifetime of the insured, for the period of probate after death, and until the claim is paid.

Medical records: Keep medical records for **one year or longer,** depending on each type of record. Medical records include all medical bills, receipts, and other important papers paid by you, your insurance company, Medicare, or Medicaid. Keep all records relating to insurance claims until claims are paid to your satisfaction. If you claim medical expenses as a tax deduction, keep all supporting medical records for the appropriate period of time (see Tax Records).

Health Records: Keep health records **permanently**. Records include family health history, blood type, allergies, records of hospital and clinic stays, treatments, illnesses and injuries, medications prescribed and taken, names of doctors, and other important health information.

Automobile records: Keep the automobile title, original bill of sale, receipts of work done, and a maintenance log for **as long as you own the automobile**. Maintenance records are important to keep the warranty in force and when selling the vehicle.

Major purchases of appliances, furniture, and equipment: Keep records of major purchases and expensive or valuable items for **as long as you own the items**. Records include canceled checks, receipts, bills marked paid, warranties, operating instructions, serial numbers, sales slips, pertinent telephone numbers, and merchants' addresses. This information is necessary to establish value or authenticity if you want to sell or trade the item, or if you are questioned by an insurance company or the IRS.

Small purchases and payments: Keep receipts for groceries and other small cash items receipts for a short period until you have recorded them in your monthly expense ledger. Other sales slips, paid bills, and canceled checks for small or miscellaneous purchases should be kept for **up to one year** in the event of a dispute with the merchant. Credit-card receipts for small purchases should be kept **until you can verify the charge** on your credit card statement. Credit-card receipts for expensive items should be kept **semipermanently**. Keep utility bills for **one year** to monitor your energy consumption.

Where to store important household records

As you set up a record keeping system and storage arrangement, keep in mind that it should be easy to use and maintain. It is important that one or more trusted people also know how to use the record keeping system if necessary. If you lock the filing system, make sure at least one other person knows where the key is located.

Keep duplicates of your will and life insurance policies in a safe deposit box with a note indicating the location of the originals, but do not store the originals in a safe deposit box because they might be sealed at the time of your death.

The following is a guideline for where to keep your personal and financial records. There are three places to keep important papers, depending on how long you need to store them. If you have special circumstances and are unsure about whether this guideline will apply to you, please consult a professional accountant or attorney.

Home file: File basic records that you refer to often for current household management in a central location in your home. Include a detailed inventory list about where other records and documents are filed and stored. Annually update information and dispose of noncurrent records.

Fire proof container in home: Important papers to which you will refer periodically but that would be difficult to replace should be filed in a fire proof box in your home.

Safe deposit box away from home: Papers that will be difficult to replace or that need to be kept indefinitely should be stored in a safe deposit box away from the home. A safe deposit box is fire-proof but not necessarily safe from water-damage and floods.

Home file

Financial Management Records
- Current & past budgets
- List of financial goals
- Records of debts owed to you

Banking and Credit Records
- Checkbooks, unused & cancelled checks
- Bank & savings statements
- Unused credit cards
- Payment books
- Receipts, monthly statements
- Records of credit account contracts & telephone numbers of issuers

Investment Records
- Records of stock, bond, and mutual fund purchases & sales
- List of investment certificate numbers
- Brokerage statements
- Dividend records
- Company annual reports

Safe Deposit Information
- Location of safe deposit box & key
- List of contents

Consumer Purchase Records
- Warranties & owner's manuals
- Passwords & PIN numbers

Personal and Employment Records
- List of family advisors & telephone numbers
- Current resumes
- Employee benefit information
- Social security numbers
- Copies of birth certificates & passports
- Membership cards & records

Housing Records
- Lease (if renting)
- Photocopies of mortgage, deed, title
- Property tax records
- Home repair & improvement receipts

Fire proof container in home

Tax Records
- Paycheck stubs, W-2 and 1099 forms
- Receipts for tax-deductible items
- Records of taxable income
- Past income tax returns & records

Health, Medical, & Insurance Records
- Original insurance policies
- List of insurance policy numbers & company names
- List of insurance premium amounts & due dates
- Health histories, hospitalization, diseases, immunizations, prescriptions
- Claim reports

Banking and Credit Card Records
- List of checking & saving account financial institutions
- List of credit card issuers & telephone numbers

Estate Planning & Retirement Records
- Original wills & codicils
- Pension plan information
- IRA statements
- Social security information
- Trust agreements
- Living wills
- Passports

Safe deposit box away from home

Personal Information
- Copies of wills
- Social security numbers
- Birth, marriage, death certificates
- Citizenship & military papers
- Adoption & custody documents
- Baptismal & confirmation certificates

Personal Property
- Automobile titles
- Personal property inventory
- Serial numbers of expensive items
- Rare coins, stamps, gems, other collectibles
- Copyrights & patents

Insurance Information
- Copy of life insurance policies
  - List of insurance policy numbers & company names

Banking and Financial Information
- Certificates of deposit
- Mortgage papers, titles, deeds
- Stock & bond certificate
- List of checking & savings account numbers, financial names
- List of bank & credit card numbers with telephone numbers
- Credit contacts

References: Internal Revenue Service, Taxpayer Help and Education: *Frequently Asked Tax Questions and Answers*, www.irs.ustreas.gov/plain/ta-edu/faq (19 Dec. 2000). Jan. 12, 2001.
University of Illinois Cooperative Extension, *Working Woman's Guide to Financial Security*, 1998. Cornell Cooperative Extension Service, 1997. University of Wyoming Cooperative Extension Service, *The Papers in Your Life*, Bulletin #B-673, 1978.

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