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What to Save; What to Throw

The few hours it takes to get your financial files in order will save you hours of wasted time spent hunting for important records, and help you make more informed financial decisions.

Most financial papers fit into 3 categories: (1) thrown away monthly; (2) thrown away annually; (3) saved.

Thrown Away Monthly

ATM and deposit receipts. After you've recorded ATM withdrawal amounts or deposits into your checkbook or online record-keeping program and reconciled the information with your monthly bank statement, throw away those pesky scraps of paper.

Receipts for small ticket purchases. Don't keep sales receipts for small purchases that you can't return, particularly if you've satisfactorily used the item or the warranty has expired. However, be sure to keep receipts for major purchases, such as appliances. You may need to present copies of these receipts in order to get reimbursed from your insurance company in the event of loss or theft.

Credit card receipts. In general, after you have confirmed that the amounts on your monthly statements match your receipts, toss the receipts. Exceptions occur when you need those receipts for tax purposes, such as tracking business-related expenses.

Discard Annually

Monthly Statements: When you may get your annual statements from your bank, mortgage company, brokerage or mutual fund company, and in some cases, your credit card company, check them against your monthly statements, and if they are correct, discard the monthly statements.

However, if you itemize your deductions, keep your monthly bank and credit card statements with your tax information. Paycheck stubs. Check against your W-2 or 1099 information, and toss.

Saved

Tax returns and supporting documents. The IRS can audit your taxes for up to 7 years after you have filed them. In addition to your actual return, keep items including canceled checks and receipts for all deductible business expenses, IRA, SEP, Simple, etc. contributions, charitable donations, out-of-pocket medical expenses, alimony, mortgage interest and property tax payments.

Warranties and receipts for all major purchases. File warranties according to the year in which they expires, so you can easily keep track of when warranties become worthless.

Documents related to passing investments to your heirs or other beneficiaries, including retirement plan beneficiary designations. When your beneficiaries eventually sell these investments, they will need to know what you paid for them. Furthermore, the job of settling your estate will be much easier for those you leave behind if you keep these documents.

Your passport and will, and the deed for you home and any other property owned. Keep these documents – along with your birth and marriage certificates and any insurance policies – in a safe, accessible place so that you and your heirs will be able to access them quickly.