

Record Retention Schedule for Personal - Recommended

With your tax return done for another year, here are some guidelines for retaining records. Well organized financial records will lessen the stress of tax time.

- **Tax returns**-Federal tax returns generally can be audited for up to three years after filing; however, that time is extended to six years if under-reported income is involved. Therefore, all records substantiating items reported on a tax return should be kept for seven years. This includes things such as W-2s, 1099s, travel logs, receipts, cancelled checks, credit card statements, and tax returns.

- **Home**-Expenditures to maintain your home fall into two categories: “repairs” (such as routine plumbing and painting) and “improvements” (usually big-ticket items such as room additions).

Discard repair receipts once the warranty period expires, but keep receipts for improvements indefinitely. Improvements add to the tax basis of your home, which can reduce your capital gain if a later home sale is subject to taxes.

- **Investments**-Keep confirmation slips for as long as you own an investment, plus an additional seven years.

For mutual funds, money market accounts, and limited partnerships, keep the original prospectus, the most recent account statement, and each year’s cumulative annual statement or Form K-1.

Keep any documents for taxable accounts that show reinvested dividends. You can toss all your old proxy statements, brochures, and interim account statements for investments.

- **Investment real estate**-Keep all cancelled checks for purchases of property, along with substantiation for improvements made to the property. Keep written appraisals and tax depreciation schedules.

- **Individual retirement accounts**-Keep copies of Forms 5498, 8606, and 1099R until all money has been withdrawn from your IRAs. Good records are necessary so that you aren’t taxed on nontaxable withdrawals.

- **Insurance**-Keep your current policies and 12 months’ worth of cancelled checks and statements. Ask your insurance agent about discarding expired policies. Your liability for prior years can vary.

- **Estate planning documents**-In your home, keep a copy of your current will, any trusts, and any special directives. Give the originals to your attorney, and consult your attorney about destroying all out-of-date documents.

- **Business**-Call us if you need details on business records retention.

- **Keep it simple**-In most cases, you don’t need an elaborate recordkeeping system to keep your affairs in order. File tax returns separately by year, and file investment records by broker. For expenses, even an accordion file tabbed by category works wonders.