Everything Jersey

Which financial documents you should save

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Clutter is my enemy.

I know how to fight back, but as one look at my kitchen counter will prove, I don't always practice what I preach.

Every day, the paperwork comes in the mail. Some is obvious junk with no shelf life, but other papers need to be filed away. Some for a little while, some forever. Here's a rundown of what financial paperwork you should keep and what should be bound for the shredder.

What paperwork should you throw out?

FOREVER KEEPERS

These are the kinds of documents that would be a major pain, though not impossible, to replace. Keep these in a firebox safe or a safety-deposit box at the local bank.

- Birth certificates
- Adoption records
- Death certificates
- Marriage and divorce papers
- Life-insurance policies
- Military records

• Wills, powers of attorney and health care proxies

• Social Security cards

• Passports

• Appraisals for jewelry, art or other valuable property (unless you sell the item)

• A videotape of your home's contents to help with insurance claims in the event of a fire. Update this once a year.

LONG-TERM KEEPERS

Tax returns: Hold on to your tax returns and all supporting documents for at least seven years. The IRS can question your return three years after it is filed if the agency suspects an honest mistake, or six years if it thinks you shorted your reportable income by 25 percent or more. If the IRS has questions, you want to be able to answer them.

Real-estate/home-improvement documents: Keep documents pertaining to your mortgage and any capital improvements (such as an addition or a deck) to your home for as long as you own the property. Capital improvement costs will be used to determine your cost basis when you eventually sell your home. Also hold on to any permits and work-approval documents you receive from your town when you do improvements, as they may be needed for your certificate of occupancy.

Year-end investment statements: Your year-end investment statements will summarize all the buying and selling you did for that year. Once you get the year-end statement, you can destroy the quarterly or monthly statements. The year-end statement is important to show the cost basis of investments, which you'll need when you eventually sell an asset.

IRA contribution records: While your contributions should be on your year-end statement, holding on to your contribution records is important just in case. If you've made nondeductible contributions to a traditional IRA or contributions to a Roth, you want to be able to prove you've already been taxed on the money.

Retirement plan records: Keep all annual statements to make sure when you eventually start taking withdrawals, you're properly taxed on withdrawals.

Loan documents: Keep paperwork for car, student and other loans until they're paid off. When they're paid, hold on to the payoff statement.

SHORT-TERM KEEPERS

Monthly/quarterly investment statements: Hang on to these statements until you receive the year-end one. As long as the year-end shows your purchases and sales, you can get rid of the periodic statements.

Social Security benefits statement: Social Security will mail to you a benefits estimate once a year. Check it and keep it until you receive the following year's statement. If you haven't been receiving these, contact Social Security at **ssa.gov**.

Credit card statements: Keep these until you're sure all the purchases and other charges are correct. If there's a deductible purchase, you should save the statement with the relevant tax return.

Health-care statements: Save your health bills if they're going to be used for deductions on your tax return. If you don't use them to support a deduction, there's no need to save them once you know your claims have been paid by your insurance company.

Insurance policies: Keep current homeowners, renters, auto and umbrella policies for the year they're valid. When you renew, keep the new and get rid of the old.

Bank statements: ATM and deposit tickets should be saved until you reconcile them with your monthly bank statement. If all is well, destroy the actual statements after a year. Remember to save any canceled checks or bank statements that are relevant for your tax return. Also keep any checks related to large purchases in case you have a problem later — consider leaving these purchase records with any product manuals or warranties.

Pay stubs: Unless you're going to need these to prove current income because you'll be in the market for a mortgage or other type of loan, you can trash these once you've determined your W-2 is correct.

TOSS 'EM

There's no need to save monthly bill statements, such as those received for utilities, once you determine the charges are correct. The exception: If you have a home office and take partial deductions for utilities, save these with your tax return.

Most institutions with which you do regular business probably offer online access to your statements and bills. Consider switching from paper statements and bills to reduce the amount of paperwork that comes to your physical mailbox. But before you do, find out how long your investments company makes available online statements, and consider printing buy, sell and cost-basis information.

And finally, if you stick with paper, invest in a shredder to protect yourself from identity theft. There's no reason to give potential thieves the ability to Dumpster-dive and steal your personal information