



Keep, Shred, or Scan: What to Do with Your Personal and Financial Records

Getting your personal and financial paperwork and important documents organized is always a daunting task. Moving papers from one pile to another is never helpful! Often you will need to purge older documents and papers in order to be truly organized. In addition to getting rid of this clutter in your home office, you will make more efficient use of your time when working on taxes, your home budget, and your long-term care planning.

Keep

There are documents that need to be kept indefinitely. It is advisable to keep these in a safe deposit box or fire safe box in your home. Such documents include: birth certificates, marriage licenses, military records, Wills, Powers of Attorney, Living Will Health Care Directives, divorce decrees, and death certificates. In addition, keep current house deeds, car titles, insurance policies and claims, and mortgage/loan agreements.

7-Year Shelf Life

Any personal Federal and State tax returns and their supporting records should be kept for seven years, because returns can be randomly audited up to three years after filing, and up to six years if you underreported your gross income by 25 percent or more. These supporting records include: documented charitable contributions, mortgage interest, retirement plan contributions, and bank statements or credit card statements that reflect home improvements or business expenses. File these items by date so that you can cull them once they have reached the 7-year mark.

Shred

There are many items that you can hold on to for the calendar year to keep your budget in check, but then get rid of by shredding. For example, pay stubs can be shredded after one year after they have been matched to your W2 form at tax time. In addition, utility and phone bills, credit card statements and bank statements that do NOT reflect tax-deductible expenses can all be purged after a year. It is important to shred any paperwork that has your name, contact information, account numbers, and social security number to avoid identity theft.

Medical records deserve special care and should be handled on a case-by-case basis. One important tip is to keep medical bills for at least a year in case there are questions over the reimbursement from insurance. Think carefully before purging medical information in case symptoms and subsequent treatments have future implications. Keep medical histories, contact information for physicians, prescription information, and related health insurance claims.

After you have figured out which papers to keep and which to purge, there are still a lot of documents to manage. Technology can help you with this aspect of organization. If you have access to a scanner, you can scan statements and documents and save them on a CD or memory stick. These can be put into your fire safe box or safe deposit box to be an additional back up in case of emergency. This is also an excellent method for saving old tax returns and medical records.

Keeping your personal and financial records organized and easily accessible to reach, can save you and your loved ones much heartache. If diving into the piles of papers and old files seems overwhelming, think of the peace of mind that you and your children and grandchildren will have.

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