

What Records to Keep and How Long to Keep Them

*Prepared by The Law Offices of Jerold E. Rothkoff, 911 Kings Highway South, Cherry Hill, NJ 08034.
Tel: 856.616.2923*

I recently spent a weekend afternoon going through old financial documents and deciding what I could discard. Digging through piles of records can be a frustrating task. It can take only one search to find something to raise the question: "Do I really need to keep all these documents?" While the answer may be "no," one must be careful about discarding old records. Before you do a complete cleaning and shred all the documents in your filing cabinet, however, please note that it is important for you to retain certain pieces of information. Shredding old records will help protect you against identity theft, but disposing of too much can leave you unprotected. While there are no firm rules on record retention, the following provides information to help guide you in what documents you should keep and how long you should keep them:

ATM Receipts: These should be kept only until you balance your checkbook. After that, shred them.

Bank Statements: You don't need to keep your bank statements. The only exception is if you are applying for a mortgage, and even then you need only a three-month history.

Credit Card Statements: These should be kept for only the past three months. Credit card statements merely reflect the charges to your card, and your credit card company can reproduce these reports if you need them.

Financial and Investment Documents: Investments often result in receiving vast amounts of mail, such as prospectuses, privacy notices and address confirmations. If you don't plan on acting on this information, get rid of it. You need to retain balance statements for only the past three months. Any time you purchase a new investment, however, you should retain the transaction record until you sell the investment and complete your income tax return. In addition, you may want to keep any benefit information if it would be helpful to you in determining your future benefits.

Home Insurance: Retain home insurance documents for a minimum of five years; however, if there is any question that issues may arise in the future, then keep these records for ten years. Insurance companies do keep this information, but you should not rely solely on them to provide it.

Home Repair Bills: The general rule is to keep these records for ten years. This should adequately protect you should litigation or other disputes arise that are connected to the repairs or workmanship. If there is a lien on the property connected with the work or repairs, then make sure to obtain a satisfaction of lien from the contractor and keep that document as long as you own the property.

Life Insurance Policies: Life insurance policies should be kept for the duration of the policy, plus an additional three years.

Medical Records: Personal health records, such as medical history, contact information of personal physicians, and prescribed treatments and prescriptions - should be kept indefinitely. All other medical records, however, such as premium statements, physician or hospital bills, copies of prescriptions, only need to be kept for five years after treatment has ended (unless items have been claimed on your tax returns, in which case the supporting documents should be kept for seven years).

Mortgage Documents: You should keep mortgage documents for the duration of the mortgage. Once you have paid off the mortgage, the bank must record a satisfaction of the mortgage. Keep the record of satisfaction as long as you own the property.

Pay Stubs: If your pay stubs contain the history of all the past pay stubs for the year, then you need to keep only the most recent one. If they don't provide payment history, then keep all pay stubs until you receive an overview statement at the end of the year. After you receive the overview statement, you may discard all previous pay stubs. Please note that pay stubs contain all the information an identity thief needs to steal your identity. Therefore, dispose of these cautiously, preferably by shredding.

Tax Returns: The general rule is to keep tax returns, whether business or personal, for seven years. Thus, when you file a new return, you may shred the one no longer needed. Although the IRS has three years to audit you after you file your income tax return, there are several exceptions to this rule, and it is better to be safe than sorry. Further, it is important to save all the information used in preparing your returns, for it is up to you to provide this information if you are audited or asked related questions.

Utility Bills: You need to keep your utility bills for only the last three months. If you write off on your income tax return anything contained in these records, then you should keep these documents as tax records.

Warranty Documents: All warranty documents may be disposed of at the time the warranty expires or you get rid of the item.

Source: http://www.rothkofflaw.com/news_detail.aspx?news_id=316.