



## Records Retention Guidelines

When it comes to financial records retention and records retention guidelines, there are not any hard and fast guidelines, but we have managed to find some basic rules of thumb for the retention of records.

Another good record keeping suggestion is to destroy all records with your personal information on them for safekeeping. Shredders are inexpensive and can start from as little as \$25 for a machine that shreds five sheets at a time. Additionally, scanners can help you with the retention of records. You can store tons of receipts and other documentation in a neat, organized and clear fashion.

### Tax Returns & Backup Documentation

Whether personal or business, the general rule is seven years. The IRS has three years to audit you from the date you file your taxes; however, there are exceptions which include:

**False return** - tax may be assessed at any time, without limitation.

**Willful attempt to avoid tax** - tax may be assessed at any time without limitation

**No return** - tax may be assessed at any time, without limitation.

**Extension by agreement** - assessment period defined by agreement between IRS and taxpayer

**Tax resulting from changes** in certain income or estate tax credits - no time frame defined

**Tax resulting from distributions** or terminations from a life insurance company - three years

**Termination of private foundation** status - tax may be assessed at any time, without limitation

**Substantial omission of items** - over/under reporting of income by 25% - 6 years

### Pay Stubs

Keep the year-long worth of stubs until you reach the year-end check of December 31 that recaps the entire 12 months worth of pay, social security, taxes, etc. Get rid of those other statements. The Social Security Administration has all of your employment history on file.

### Bank Statements

The only reason to keep a three month history on hand is if you are applying for a mortgage. Otherwise, the bank has all of your records if a need arises.

**Credit Card Statements:** Generally, it is recommended that you keep the current three months on hand.

**ATM Receipts:** Enter the transaction into your check book listing and then toss the receipt.

### Financial Documents

Chances are if you have any stocks, bonds, mutual funds, etc., you are inundated with prospectus, privacy notices, address confirmations, and on and on. Don't keep any of these unless you plan to act on them within the next two weeks. In regards to your various benefit statements, you may want to keep this information indefinitely in order to determine your future retirement benefits.

### Mortgage Statements

It is recommended that you keep your mortgage statements for the ownership period of the mortgaged property plus seven years.

### Mortgage Documents

If you use a commercial bank for your financing, they will record a mortgage on the property when you take out the loan. After you've paid off the mortgage they are obligated to record a satisfaction of mortgage. To be safe, however, hold onto that document for 10 years.

Whenever someone thinks you owe them money, you'll want to hold onto proof of payment for longer than you would if the reverse was true. The burden of proof is going to be on a lender to prove you owe money. If you've paid it off, you'll want to prove that you did.

If you are doing renovations, make sure you get the satisfaction of lien from the contractors doing the work. Keep that as long as you own the property. When you sell it, the lawyers will do a title search and the title insurance should take over after that.