

Spring Cleaning: How Long to Keep Your Financial Documents

When it comes to financial documents it can be overwhelming to decide where to keep them, how long to keep them, and what to shred. If you keep too much, finding what truly is important is a challenge. If you keep too little there are information gaps. With our years of experience, we have some guidelines and suggestions.

Often people end up keeping too many documents thinking that they may need them one day. This is not necessary as a lot of paperwork can be shredded regularly. With the use of technology, it is easier than ever to keep an electronic filing system for most documents. By storing documents electronically on your home computer, you will free up space in your filing cabinet for more of the papers you need to keep long-term. Additionally, storing an electronic version of your important documents can be helpful as a backup in the case of a home disaster when paper copies may be damaged.

Luckily, many day-to-day purchase receipts, bills, statements and cancelled checks can be reconciled monthly and shredded. These items can easily become an overwhelming pile of paper if they are not dealt with on a regular basis so we suggest staying on top of them. Be sure to pull out and keep any large-ticket item receipts or important documents so that you can keep them in a safe place, such as documents for loans you still carry.

Confirm with your own tax preparer, but most CPAs suggest keeping tax returns and corresponding documentation for 7 years. The reason for this is two-fold. In case the IRS decides to audit you, these documents are your backup. They also serve as a great reference in preparing future tax returns. This documentation includes W-2s and quarterly investment statements as well as records such as paperwork for deductions. Be sure to keep these in a secure place.

There are numerous documents that need to be kept forever. These important documents include Social Security cards, Birth Certificates, current Wills, most recent Trust documents, current passports, diplomas and more. Check with your attorney about your individual situation.

The paper documents that you store in your home should be kept in a safe or a locked filing cabinet for security purposes. You may even consider getting a safe deposit box to protect your information.

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We hope that you find our suggestions helpful and that you discover peace of mind in reorganizing your financial documents. Knowing where to find important documents on a moment's notice can save you and your family time and stress. We enjoy hearing from our clients and would like to know how this article has helped you organize your financial documents.

This article written by Sandra J. Wagner, CFP®. Sandra has been helping people with their finances since 2001. She is a CERTIFIED FINANCIAL PLANNER™ professional and CEO of Wagner Planning.

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