

## A Guide to Keeping Financial Records

Do you know how long to keep your financial records like bills and tax forms or how to safely get rid of them? Get the details in this guide.

*by NEA Member Benefits*

With utility bills, credit card statements, mortgages, car loans, insurance renewals and more, it's easy to get overwhelmed by an accumulating mountain of financial paperwork ... Where do you keep it? How long do you keep it? Should you switch to online only? Or should you go digital strictly for certain needs?

As for the "digital or paper—or both?" debate, there really is no right or wrong answer, as much of this comes down to your personal preferences and comfort zone. Yes, you can do everything online now and never need to have anything mailed to you. But some people prefer to go "paper only," or keep printed versions as a backup to online ones. (For now, a will, power of attorney and related documents prove to be the exception, as they require signatures and notarization and, thus, need to be securely stored as hard copies.)

There's a strong financial argument to be made, however, for going entirely digital for virtually everything else: By paying all bills and credit card balances online, you'll save a decent amount over a year in postage costs. In addition, banks will often apply a fee for paper statements, with the larger ones typically charging \$2 to \$3 per month, according to MyBankTracker.

If you still opt to go paper only or the "paper as a backup to digital" route, here are recommendations as to how manage the various documents you'll collect over time:

### **Mortgage and other loan statements**

A monthly mortgage statement only needs to be kept until the next statement arrives in the mail, according to Clark.com, the official website of consumer expert Clark Howard. You probably want to check the latest statement to make sure that your current balance reflects payments made. As with any discarded financial document, it's best to shred it rather than toss it in the trash, so that your personally identifiable information (PII) stays protected. (Yes, "dumpster diving" is for real, with garbage and recycling bins being "veritable treasure troves of invaluable information" for thieves, according to Discover.)

As for car, college and other loans, keep the most recent record that indicates you're up-to-date on payments and shred the others. For all loans—including your mortgage—once you receive a statement that your balance is paid in full, you'll want to keep it forever in a file that you can easily access. As far as how to secure it and other important documents? Again, it's a matter of personal preference and comfort. If you feel your home is well-protected, then a standard filing system should work. If you have any doubts, then you might consider buying a safe or using a safe deposit box at your bank for your most sensitive personal information.

### **Tax returns and supporting documents**

How long should you keep tax records? Clark.com strongly recommends keeping a permanent copy of every year's return. Old tax returns can help you prepare for future ones and it's always a good idea to have these on hand in case the IRS has a question.

You should file supporting tax documents (such as your W-2, mortgage interest/taxes paid statement, receipts for classroom expenses that you paid out of pocket and can deduct, receipts for self-employment expenses, etc.) for seven years—the limit for which the IRS can request these items from you.

## **Monthly bills**

You should hold on to bills such as utility, cable, and cell phone until you verify that payment was processed, according to Clark.com. Yet, if you or your spouse generate any self-employment income (if you tutor students on weekends, for example), some of these expenses may be deductible, so you'll want to store a year's worth at any given time unless you can get an annualized summary either on-paper or online after Jan. 1. Then, if you use these annual statements to support deductions, keep them for seven years.

## **Retirement savings accounts such as 403(b)s**

File away the monthly/quarterly statements until you receive your annual one, and then shred the monthly/quarterly updates, according to MoneySmartGuides.com. You should store your annual statements indefinitely, at the very least to back up your online statements.

## **Banking and credit card statements**

Keep these for a year. But if you make purchases related to taxes, home improvements, work/self-employment expenses, etc., you should have those on-hand for at least seven years. Yes, a bank will retrieve statements for you. But anything older than two years is considered "research," and the average charge for this is \$25 an hour, according to MoneySmartGuides.com.

## **Receipts**

Store these until you can verify that your bank or credit card statement is accurate and the warranty/return period has passed, then shred them, according to MoneySmartGuides.com. (But, if they also serve as tax supporting documents, then follow the "seven year" rule as indicated above.)

## **Pay stubs**

Hold on to these for a year so you can check the accuracy of your W-2 when tax season arrives. Then keep the W-2 for at least seven years in case of an IRS audit, MoneySmartGuides.com advises.

## **Insurance policies**

It's safe to discard old policy paperwork once you receive the new ones. Make sure you shred any documents that contain personal information.

## **The bottom line**

Holding on to the right paperwork for the right amount of time can help you track your overall financial picture and spend less time looking for important documents. Plus, it helps lower stress from paper overload. Dedicate a little time each week to filing and shredding and you'll stay organized.

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