

Recordkeeping Guidelines

Taxes	<ul style="list-style-type: none">● Keep returns, canceled checks, receipts, and records for tax deductions for 7 years.● The IRS has 3 years from the filing date to audit your return for good-faith errors.● The 3-year deadline applies if you find a mistake and file an amended return.● The IRS has 6 years to contest your return if you underreport your gross income.● There is no time limit if you fail to file your return or file a fraudulent return.
IRA Records	<ul style="list-style-type: none">● Keep contribution records permanently.● If you make a nondeductible contribution to an IRA, keep the records indefinitely to prove that you already paid tax on this money when it comes time to withdraw.
401K Records	<ul style="list-style-type: none">● Keep 401K – and other retirement plan statements – from 1 year to permanently.● Keep the quarterly statements from your 401K or other plans until you receive the annual summary. If everything matches up, then shred the quarterlies.● Keep the annual summaries until you retire or close the account.
Bank Accounts	<ul style="list-style-type: none">● Keep checking and savings account statements from 1 year to permanently.● Go through checks each year and keep those related to taxes, business expenses, home improvements and mortgage payments. Shred those that have no long-term importance.
Investments	<ul style="list-style-type: none">● Permanently keep all records that show what you paid for an investment, plus a record showing how much you received when you sold it.● These records help to establish the cost basis for the investment, stock, bond, mutual fund, annuity, home, commodity, collectible, real estate, etc. The cost basis affects your gains tax.● For instance, you need the purchase and sales confirmations from your brokerage or mutual fund to prove whether you have capital gains or losses at tax time.
Bills	<ul style="list-style-type: none">● Keep bills and invoices from 1 year to permanently. Go through your bills once a year and when you have confirmation that a bill has been paid, you can shred the bill.● However, keep bills for jewelry, rugs, appliances, antiques, cars, collectibles, furniture, computers, etc. in an insurance file for proof in the event of loss or damage.
Credit Cards	<ul style="list-style-type: none">● Keep receipts and statements from 45 days to 7 years.● Keep your receipts at least until you get your monthly statement, but maybe longer.● Keep the statements for seven years if tax-related expenses are documented.
Paychecks	<ul style="list-style-type: none">● Keep paycheck stubs for 1 year.● When you receive your annual W-2 from your employer, make sure the information on your stubs matches the W-2. If it does, shred the stubs.
Home Records	<ul style="list-style-type: none">● Keep house and condo records from 7 years to permanently.● Keep all records documenting the purchase price and the cost of all permanent improvements, such as remodeling, additions and installations.● Keep records of expenses incurred in selling and buying the property, such as legal fees and your real estate agent's commission, for 7 years after you sell your home.● Cost of improvements and the expenses when you sell it are added to the original purchase price for cost basis. The higher the cost basis, the lower your capital gains tax.

FAMILY & TECH: JULIE JARGON

Declutter the Filing Cabinet: What to Save, Move to the Cloud or Shred

With tax season under way, now is a good time to scan and purge those old files



PHOTO: GETTY IMAGES



By

[*Julie Jargon*](#)

Feb. 27, 2021 9:00 am ET



Listen to this article

7 minutes

When was the last time you cleaned up the family filing cabinet? Be honest. If you're like me, that unsightly metal rectangle is probably overstuffed with old utility bills, medical records and tax returns. With tax season under way and extra time at home, it isn't a bad time to do some spring cleaning.

So what should you keep in the filing cabinet, what should you scan and save in the cloud, and what should you just toss in the shredder? I consulted experts in several fields to find out.

Tax documents. Individuals only need to keep tax returns and related documents for three years from the date the original return was filed, according to the Internal Revenue Service. There are some exceptions and different periods of limitations for filing refund claims [listed here](#).

There are some records you should hold on to even longer, said Andy Phillips, a director at H&R Block's Tax Institute. For example, if you've made improvements to a home you own and rent out, it's wise to keep records of all repairs and new appliances so you can determine your cost basis when you sell the property.

However, you don't have to keep paper versions of these. Mr. Phillips said it's fine to produce digital records in the event of an IRS audit.

Many tax preparers have cloud-based services that allow clients—and self-filers—to upload and store their tax documents from a mobile device or computer, connect with tax experts and sign and file their returns. These include [H&R Block's MyBlock](#), which is accessible via website or mobile app, [Intuit's TurboTax](#) and [Jackson Hewitt](#).

Estate-planning documents. Estate planning can involve many documents, from trusts to those naming a power of attorney. “The only document that absolutely has to be a physical copy from an estate-planning perspective is a person's will,” said Stephanie Kriegel, a partner at law firm Bryan Cave Leighton Paisner. “If you don't have the physical one, there will be a lot of hoops to jump through in court to prove that a copy is valid.”

Most law firms will keep signed copies for you, but it's important to keep originals of your own—and let someone know where to find them. A will is considered revoked if it's torn up or burned, she said, adding, “If you only have a digital copy of your parents' will, you have to prove they didn't revoke the original by destroying it.”

Ms. Kriegel said when people update their estate-planning documents, they can destroy the old versions. For revocable trusts, which can be amended again and again, she advises people to keep prior versions to show what has been changed. Just remember: Multiple versions might show a family member has been written out, she said, and that could cause hurt feelings.

Raymond Hekmat, a family-law attorney in California, said that in case of prenuptial and postnuptial agreements, the attorney and each spouse should keep originals of them—

and that it's wise for the spouse who initiated the prenup to keep it in a safe-deposit box the other spouse can't access.

Bills, receipts and financial statements. Professional organizers and lawyers say there's usually no reason to keep physical copies of utility bills or financial statements anymore, since those are all available online. But banks are legally obligated to keep records for only a certain number of years, according to Margot Note, an archives and records-management consultant. So if you think you'll need proof of payments or deposits for some reason, such as for a legal case, download it.

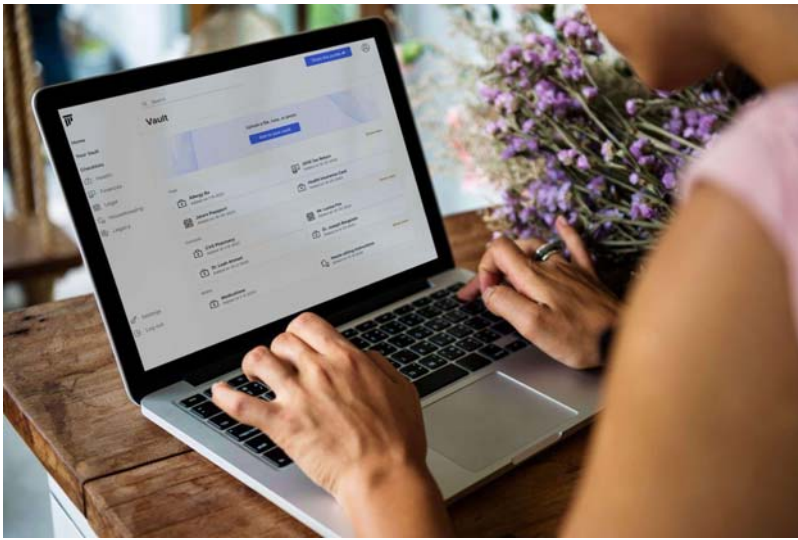
Because home buyers can request to see one year of the seller's utility bills, Jennifer Martin, a certified home organizer, suggested people keep digital copies for a year. She also recommended keeping hard or digital copies of a car's maintenance records until the car is sold, because buyers often want to see how well a car has been maintained.

Vital and legal records. Experts agree that people should perpetually keep originals of all vital and legal records, including birth and death certificates, marriage licenses, adoption papers, military service records, property deeds, car titles, Social Security cards and professional licenses. (My colleague Joanna Stern recommends a fireproof document bag.)

But you should scan a digital copy as well. Ms. Note recommended saving three copies of each important document: one on a computer, one on an external hard drive and one in a cloud-based service. That way, if you lose your laptop or a digital file gets corrupted, there's likely to be at least one good copy remaining.

"Digitizing things is amazing, but I don't think people realize how fragile digital files are," Ms. Note said.

Medical records should be kept as long as a medical condition warrants. Do you need to keep a record of every checkup? No, Ms. Note said. But for a chronic condition or major surgery, it's good to hold on to at least digital records, she said.



If you plan to store items digitally, the options range from an Apple iCloud, Google Drive or Microsoft OneDrive storage plan to a specialized service like Pillar Life.

PHOTO: PILLAR

Tech Support

So how do you digitize your records?

If you're only scanning a few documents here and there, you can use your phone. Apple's Notes iPhone app has it built in: Just tap the camera icon in a new note, then select Scan Documents. After you scan them, you can save them to your phone or to a cloud account, or just email them to yourself. Dedicated scanning apps for iOS and Android are available from Adobe and Microsoft.

If you need to scan a lot of pages, you can buy an all-in-one printer-scanner-copier, ideally one with a built-in sheet feeder, or get a dedicated document and photo scanner such as the pricey but reliable Epson FastFoto 680W, recommended by my colleagues.

Also, you can go to your banking and insurance websites to download documents, or comb through your email looking for digital copies of receipts or other correspondence to save.

Once you've got the files, how do you store them?

There are numerous cloud-based services and apps where people can organize, store and share important documents with others.

SHARE YOUR THOUGHTS

What system do you use for scanning and storing documents? Join the conversation below.

When deciding where to store items digitally, the experts I spoke to said it's best to choose a service that's likely to endure—even after you're gone. It's important to know ahead of time what will happen to your documents if the service goes out of business or gets sold, and what the process is for retrieving your documents if you decide to stop using the service. You should also understand the company's policy on purging your data after you leave.

You might already have free storage or a storage plan from services such as Apple iCloud, Google Drive and Microsoft OneDrive. Other recommended services include Dropbox Vault and Evernote.

There are specialized services for organizing your digital documents, too, including Pillar Life and My Macro Memoir.

Reading the security and privacy policies of any service is critical. And choosing a service that offers two-factor authentication for logging in is a must. All the ones listed above do.

—For more Family & Tech columns, advice and answers to your most pressing family-related technology questions, sign up for my weekly newsletter.

Write to Julie Jargon at julie.jargon@wsj.com

Appeared in the March 3, 2021, print edition as 'How to Get Your Files In Order.'

Would you like more stories like this?

YES

NO