

How Long To Keep Financial Records

Description



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Many folks are confused, and understandably so, about how long to keep financial records. Some feel that to ask this question makes them appear foolish. There are no silly questions. Fools are identified by the failure to ask questions, not the reverse.

For the most part, how long to keep records is centered on IRS requirements. For this reason 5 years is a good general rule. All your financial records could be required for audit of your taxes for that length of time. Whilst the IRS normally conducts audits only within 3-5 years from the year of the return, there is nothing to stop them probing even further into your history but 5 years should be safe.

Credit card details, cancelled checks and bank statements, W2's and copies of your previous tax returns should be kept for 5 years. This would include retention of real estate transaction records since they may also be a taxable event.

For the most part these days, the sale of your personal residence is not taxable unless you make \$500,000 profit as a married couple, or \$250,000 individually. In other words, selling the home in which you lived at least 2 out of the last 5 years is likely of no interest to the IRS, unless it was used for business purposes.

There are some records, however, that you should keep for longer than 5 years. Records for the acquisition of real estate and details of major costs associated with improving the property should be

kept as long as you own it.

Deeds can be reclaimed indefinitely from the Public Recorder's office but appraisals, surveys, blueprints and information on upgrades may well assist you when selling the property. Mortgage payoff evidence can also help. Even though the lender is supposed to ensure the recording of a Deed of Reconveyance when the loan is paid off, this doesn't always happen.

Other personal records that you should keep in a safe place are wills, patents, licenses and permits, stock certificates, minute books (if any), jewelry, valuations, insurance policies and birth, marriage and divorce records, as well as your passport.

Everyone should have a safe and secure storage place for such paperwork. Although you can file a lot of items electronically there are still some papers that are only valid if physical in nature. I have a safety deposit box but a fireproof, home safe may be equally adequate.

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