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**Your Money**

# The (Long) List of Financial Documents You Should Keep

By RON LIEBER FEB. 23, 2018

In this season of paper piles, bursting files and inscrutable tax forms arriving in the mail, tip your cap to one aspect of the new tax bill. If you're among the millions of people who will no longer be itemizing your deductions next year, there may just be less mess in your future.

This is no solace for people who hate the bill's politics or the way it hits their personal finances. Still, there is potential for decluttering, which leaves us with a pressing question: Just what records should we be keeping and for how long, and what can we safely shred or delete?

Turns out that you still need to keep more than you might think. While some people won't need to keep track of every last charitable deduction any longer, your financial life is made up of more than just the things that the Internal Revenue Service is willing to let you deduct.

Here are some factors to consider:

### I.R.S. Instructions

Any discussion like this has to begin with the Internal Revenue Service, because some of what you keep lives in storage only to satisfy an auditor who may one day ask after it. The I.R.S. expects you to keep your tax returns and any supporting documentation for three years after you file your return.

There is more, though. If you somehow neglect to report income that you should have, and it's more than 25 percent of the gross income you did report, then you should keep your records for six years from the due date. If you don't bother filing at all in certain periods, the I.R.S. expects you to keep records for those years forever.

Our tax collectors also offer the following bit of unintentionally hilarious guidance on a tip sheet for people who own small businesses: “Keep records indefinitely if you file a fraudulent return.” In other words: Please, don’t cheat on your taxes. But if you do, ignore the voice in your head telling you to shred all records of your activities from that year, lest you end up in trouble one day and are unable to reconstruct the truth.

**Deductible Expenses**

So you have some receipts. Hundreds, perhaps, from charitable contributions and meals bought for customers in pursuit of side hustles or full-time small businesses. The I.R.S. says that if you scan things on paper and save them digitally, the auditors won’t demand originals years later. Credit-card statements will suffice, too. There are a few quirks with keeping records on charitable contributions; consult I.R.S. Publication 526 for more on those.

Can your bank bail you out with transaction data years later? Ask before you assume anything. JPMorgan Chase, for instance, keeps records of checks, credit and debit card transactions going back seven years. If you’ve left it for another bank, it will still look up the information (because you won’t have online access anymore), but there may be a fee.

**Investments**

One troublesome area for people with taxable brokerage accounts is that you need to keep track of what you paid for a stock or a mutual fund in order to calculate capital gains or losses later.

Generally, you can rely on your brokerage firm to do this for you, especially since new record-keeping rules went into effect for most transactions starting in 2011. Even if you switch firms, the so-called cost basis information for your investments is supposed to be transferred electronically to your new firm. Check carefully within a month or two of switching to make sure this actually happened.

It also can’t hurt to keep these records yourself as a backup. For instance, you could just dump every electronic trading notification into an email file, or scan a paper statement or a year-end summary of all transactions and store it in a cloud account, or perhaps two of them just to be safe.

Keep in mind that technology reaches back only so far. Fidelity has records for brokerage transactions going back to 1993, while Vanguard has records dating from 1998. Vanguard adds that it can provide duplicate tax forms for any year it generated one for a participant who invested in a 401(k) plan.

Fidelity warns that it may not be able to serve as your backstop when it comes to nondeductible individual retirement accounts. That's because it doesn't have access to the relevant I.R.S. form, 8606, that taxpayers fill out. So you'll want to hang on to that one until you've withdrawn all your nondeductible contributions to the account.

Another crucial bit of I.R.A. record-keeping is any record of conversions from regular I.R.A.s to Roth I.R.A.s, which allow you to withdraw the money free of taxes decades later. Your accountant may have these documents, too. Mine did when I went looking for them last year, and that backstop was a good reminder of the benefit of doing business with the same people for long periods of time.

**Everything Else**

There are dozens of other things you should hang onto as well. I'd follow the I.R.S. rules up above for receipts related to a health savings account. UnitedHealthcare keeps relevant data from its explanation of benefits forms for 10 years from the claim date, and it will give you free copies even if you or your employer are no longer customers.

If you or a parent expect to qualify for Medicaid coverage for long-term care, your state will probably want to examine all of your transactions (not just health-related ones) for several years before the year you apply.

Keep copies of all major insurance policies, and a home inventory of things you'll want to replace if they are damaged or stolen. And hang onto the agreements for all major loans, from student to mortgage, and any letters confirming payoff. Keep child support, alimony and other payment records forever too, along with the divorce documentation, especially if things are acrimonious.

Home improvement receipts are essential if you think the value of your home will rise hundreds of thousands of dollars over time, as I explained in a 2015 column.

Birth certificates and Social Security cards still seem to come in handy, and you may need military discharge papers once in a while, too.

Estate planning documents can also be a source of contention, so hold onto the originals of any will, trust and related documents, plus beneficiary designations from insurance policies or investment accounts. If you've received an inheritance or a gift, you'll need to document the event and the value as well, perhaps through a formal appraisal. Vanguard notes the need to keep the relevant I.R.S. forms — 706, 709 and 8971 — indefinitely. Yes, the I.R.S. may be able to retrieve lost tax forms for you, but that could take a while.

**The Joy of Paper**

As much as I know that I should digitize everything, I still haven't quite come around on going completely paperless. I like being able to write on statements easily and enjoy the well-sorted feeling of opening an orderly filing cabinet.

And as I examined my files with a more critical eye than usual this week, I noticed something else. While I have a few memory boxes elsewhere in my apartment, there are also artifacts of my life in nearly every filing cabinet drawer. There was the flier from my first high school dance party at Cabaret Metro in Chicago in 1985, and out fell an autographed picture of Artis Gilmore, from the days when he played basketball for the Bulls and I still answered to "Ronnie."

Seeing these artifacts makes the filing chore tolerable, even pleasurable. Just be careful if you pare back the files and put things through the shredder every so often. You wouldn't want photos of childhood sports heroes like Dave Kingman and Dave Corzine sliced into 1,000 pieces.