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Improving Your Retirement

Can I Throw This Paperwork Out?

By Sue Stevens, CFA, CFP, CPA | 03-15-07 | 06:00 AM

In my line of work, I may create powerful portfolios, comprehensive retirement plans, insightful tax strategies, or other detailed financial road maps. But sometimes I see the greatest delight in my clients' eyes when I help them figure out what paperwork to keep versus what they can throw out.

Granted, you don't have to be a rocket scientist to do this. But if you don't have some method of periodically weeding out unnecessary papers, you may find your house being taken over by more and more filing cabinets or other storage containers. Plus, the more organized you are, the better your chances of actually finding something when you need it!

Most of us get inundated with financially related mail--bank statements, brokerage statements, annual reports, credit card statements, proxy voting, etc. One of the best ways of keeping down the clutter is to deal with each piece of mail as it arrives--decide if you need to keep it or if you can toss it. Here are some guidelines to help you in that process:

Keep It

- When you get your bank statement, you should go through the process of balancing your checkbook. Once that's done, file each monthly statement. Thanks to recent regulations, you probably don't get cancelled checks anymore. But if for some reason you still do, keep them for one year in case you have some type of payment dispute.
- Tax returns for the past seven years (three years is the rule for most returns, but seven years covers a few other situations).
- Birth certificates, death certificates, marriage certificates
- Deeds
- Car titles
- Insurance policies
- Estate documents: wills, trusts, powers of attorney
- Contracts
- Medical records
- Prospectuses
- Investment confirmation statements for purchases and sales

- Year-end brokerage statements
- Monthly credit card statements (especially if they list items you deduct on your income-tax return)
- Property tax bills

Toss It

- If you have old cancelled checks, go through them and only keep the ones that you may need in the future, such as checks written for home improvements (may become part of your home's cost basis), major purchases (may need for insurance purposes), or tax-deductible items. You can throw away cancelled checks for other routine purchases such as groceries, gasoline, clothing, and utility bills (unless you deduct them).
- Your bank and brokerage statements may come with "stuffers"--typically some marketing material about other services. Read it once when it arrives and if you don't plan to use that service, throw it out.
- If you're going to vote your proxies, do it right away. If you choose not to vote your proxies, toss them.
- Read your annual reports when you get them. Then you can throw them out.
- Credit card receipts--after you verify them on your monthly statements.
- Utility bills (unless you deduct them for tax purposes)

There are two purchases you may want to make, if you haven't already: a shredder and a scanner. When you throw away financial documents, it's best to shred them. By doing this, you help prevent identity theft. Home shredders are not expensive--you can buy one for as little as $20.

You may also find it helpful to scan documents you want to save instead of storing the paper files. For example, if you get monthly brokerage statements, you may want to scan in past statements and keep only paper copies of confirms and year-end statements (some of you may want to keep digital copies of everything). You can save your electronic documents to a CD and really cut back on physical storage space. Just make sure you back up your electronic records.

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