

With tax season coming to a (delayed) close, and with the weather finally turning the dreary isolation of what has been a very long winter into hopeful anticipation for a springtime out-of-doors with friends and family once again, I wanted to address a question that I am asked routinely every spring; “What documents do I really need to keep?”

For me, sorting through a year (or more) of statements and other documents is a cathartic kind of spring cleaning that I do for my household each year, and it helps to keep all our information up-to-date and secured as well. So, for those that are wondering about whether you really need that pile of papers slowly taking over the currently underused dining table, here are my guidelines.

Tax Records

These come first for a reason – an audit by the IRS can be a stressful experience and having good records not only eases the tension but also may potentially help avoid costly fines and penalties. I keep our records for 10 years because my husband runs his own business as a sole proprietor, and that amount of history really helps, not only with IRS anxiety but also in forecasting tax liability expectations and other business-related costs.

For most people, however, keeping records for three (3) years is sufficient (the IRS has 3 years from the date you file to inform you of an audit). In the event you are audited, keep those particular records another four (4) years because that is the amount of time the IRS has to appeal the results of their own audits. And to be clear, the IRS will never call or email you – all audit requests are delivered by mail (though you can fax your responses to save time or meet a deadline).

What gets included in your tax records is dependent on your situation, but typically you have your usual tax forms (W-2s, 1099s and maybe K-1s on the income side, and 1098s on the deduction side) as well as any receipts, statements, or confirmations you have used to determine any other deductions you have taken.

Medical Records

Not too terribly long ago, our medical records were left in the hands of our family doctors, who was often our primary point of all medical care from birth to death. Today, changes in the medical industry due to increasing specialization and compartmentalization of care, as well as in record keeping requirements (digital versus paper) can make accessing a consolidated history challenging. Keeping your own record is therefore an increasingly valuable and potentially time-saving endeavor.

Your own record should include a list of all your current medications, including vitamins and supplements well as any allergies that might impact prescription decisions. You should also keep the name and number of the prescribing doctor/practice and contact information for the filling pharmacy with that list.

Next up is a written description of any current, ongoing conditions for which you are being treated, including past treatments or prescriptions that may not have worked out, so that you can discuss what has and hasn't worked with any new doctors or specialists. Past procedures related to your condition(s) should be noted here, as well as a general log of all past procedures and recent (from the past 2 years) test results.

Finally, your family health history can be very informative when making decisions about medical care – from pre-screening to the kinds of insurance coverage you maintain. Compiling all of this might be daunting at first, but once you have a record in place it's easy to keep up to date each time you visit the doctor or get new prescriptions or test results. And most of this information will be current (2 years old or less) unless you have a long-term condition (allergies, diabetes, etc.).

As far as the financial aspects of your medical record – it's good to keep at least a year's worth of insurance company claims and receipts to resolve any errors in billing or payment that may come up. And if you claim medical expenses as a deduction on your tax-filing, its best to keep those with the tax records (above) for that tax year. Either way, you can clean out receipts as you update your records (no need to keep things on a calendar basis)!

Financial Records

This is where most people tend to hang onto records a lot longer than really necessary. It goes without saying that any document that confers ownership of a "hard" asset (deeds to the house, titles for your car, and certificates for original artwork, etc.) should be kept for as long as you own the asset. Be sure to keep these things safe (a locked, fireproof safe at home, or safety deposit box at your bank), along with your social security card (which you should never carry with you). It is also good to keep insurance contracts here too, for life or annuity policies that are in force.

Any maintenance should be kept for as long as you own the asset as well – particularly larger, home improvement projects as this can count toward your cost basis if you ultimately end up selling down the road. Utility bills and other routine receipts can go after you have reconciled them (unless you have a home office, of course, and then that is again part of your tax record).

Most other records don't serve much purpose after a year, which is more than enough time to discover any errors and correct them, assuming the document in question has no bearing on your taxes. If it does, then its best to be safe and keep at least 3 years' worth as mentioned earlier. This goes for bank, credit card, brokerage and investment statements – as well as income records (paystubs, SSI letters, pension notices, etc.).

Many of our clients have made the leap of converting paper records to electronic files, and while this makes cleaning up a bit easier, it does not negate the need to go through the process. In fact, electronic records can pile up even faster than paper (they are so unobtrusive!) and keeping them organized has the added benefit of making them easier to secure.

Whether you prefer paper or digital records, making sure that your information is secure is critical. If you are keeping paper records, as mentioned above, invest in a fire-proof locking file or safe for the things you keep. And invest in a good cross-cutting shredder (so that you get confetti, instead of strips) for the things you want to toss.

If you are keeping things electronically, Windows and Macs all come with built-in file encryption so taking a little time to set that up (or spending a little to have that set-up for you) is worthwhile. Files will stay encrypted even after you delete them (yes, depending on the kind of computer/device you are using, most deleted files can be recovered). If you are using your phone to store information about your

finances, make sure lock your device with a passcode (not a fingerprint) – and reset the device to its original factory settings if you ever replace it.

And finally, be aware that as your Advisor, Northstar will retain certain records for you for as long as you are a client – but our access to past statements and tax-documents is limited by our relationships with the custodians that produce those records, so it is good to have a back-up in your own file. Just let us know if you need any extra help getting organized and we will do what we can to make sure you are on the right track!

Sincerely,

Julia Randall