

## Financial Paper Management

Even during this electronic age we continue to accumulate mounds of paper. When tax season draws to a close, it's a good time to sort, organize and purge your financial papers.

To make it easy, create a permanent (long-term) storage area for old documents. You could use bankers boxes or an old filing cabinet. This storage will be used occasionally (so it needs to be somewhat accessible), but should remain in a place that is out-of-the-way. Don't use premium space for old documents that you will rarely look at.

Every tax season, file away the current tax documents and accompanying receipts in this long-term storage. Then take out and shred the tax info from seven years ago – this is the oldest return you have on file if you've been discarding every seven years.

To make it easy for the current year, keep a folder in your "daily" file cabinet and every time you get a tax document, receipt, or other item that you have to save for taxes, file it immediately in this folder. This way at the end of the year, all you need to do is pull your current tax file and everything is there. (No more looking for tax information.)

Here are some tips on what you need to save and how long:

### Shred after one month:

- ATM and bank deposit slips, after you've recorded the amounts in your check register and checked them against your monthly bank statement
- Credit card receipts, after you've checked to make sure the item appears correctly on your monthly statement (unless you deduct something as a business expense, then save with your tax documents)
- Sales receipts for minor purchases, after you've satisfactorily used the item and if it has no warranty

### Shred after one year:

- Monthly bank and credit card statements (if you don't itemize deductions—otherwise, keep with other tax documents)
- Monthly or quarterly brokerage and mutual fund statements, after you have reconciled them with your year-end summary
- Monthly mortgage statements, as long as your year-end statement clearly shows the total amount you've paid in interest and property taxes over the course of the year
- Phone and utility bills (as long as you don't have an at-home office, use your phone for business calls (save with other tax documents), or anticipate any need to prove long term residency)
- Paycheck stubs, after you've reconciled them with your annual W-2 or 1099 forms

### Retain for seven years:

- Your annual tax returns
- W-2 and 1099 forms
- Year-end statements from credit card companies
- Phone and utility bills (only if you deduct any portion for business expenses, have more than one home, or have moved within the past few years)

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- Canceled checks, receipts or statements for:
  - annual mortgage interest and property taxes
  - deductible business expenses
  - child-care bills
  - out of pocket medical expenses
  - any other tax-deductible expense (e.g.: donations)

**Keep indefinitely:**

- Your year-end summaries from financial-service companies
- Confirmation slips that list the purchase price of any investments you own
- Home improvement records
- Receipts for major purchases (any item whose replacement cost exceeds the deductible on your homeowners or renters' insurance policy)
- Beneficiary designations\*

Now you can set up a daily paper management system. You might want to hire a professional organizer to help with this project. Once your system is in place, you need to dedicate about 5-15 minutes each day to keep it running smoothly.

**Determine the best time for you to manage your financial papers:**

- First thing in the morning - It's a nice start to the day and helps you prioritize today's tasks
- At the end of the day - This gives you closure at the end of the day and lets you jump right into action the next day
- Immediately as papers enter your home or office - This is good for those who just want to get it done ASAP.\*\*

\*Excerpted material from *Deciding Which Financial Records to Keep* by Diane Harris

\*\* Excerpted material from *Time 2 Organize's* Articles on Demand by Sara Pedersen. Article also based on information from Catherine M. Williams, vice president for financial literacy at the credit-counseling firm Money Management International

For help with this project or any “get organized” project, considering hiring a professional organizer – they’ll help you get the project done much faster and also help you create a maintainable system!