

Your Important Papers: What, Why, and How Long to Keep

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Consumer Series | Finance

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Important papers prove certain events occurred and they are used to document financial transactions. They may be needed at various times during one's life. For example, a birth certificate is used to prove age when starting school, to obtain a driver's license, or to apply for Social Security benefits. It is also needed by relatives to obtain a death certificate. Financial records are the key to your credit standing, essential to helping save money on income taxes owed, and provide an indication of your financial progress through life.

A systematic plan for keeping track of important documents can save you hours of anxious searching for misplaced items. It can also help you reduce the amount of non-important papers cluttering your home.

Valuable papers can be sorted into two types: those needed for day-to-day use and those needed occasionally. Examples of valuable papers used frequently include a driver's license, credit cards, health insurance card, bank account records, identification card, and special health documentation such as for allergies, disabling conditions, and blood type. Examples of valuable papers used occasionally include birth, marriage, and death certificates; deeds; leases; contracts; insurance policies; military papers; divorce decrees; Social Security records; and wills.

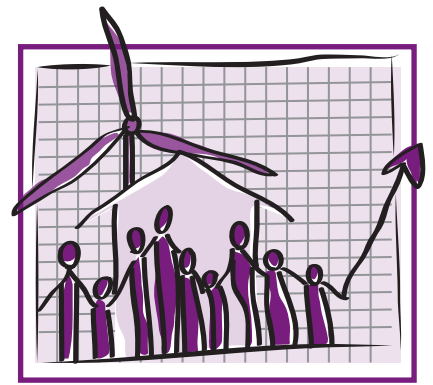
It is important to carefully store valuable papers which would be difficult or time-consuming to replace. These include items like original birth and marriage certificates and property titles. These hard-to-replace documents are ideally kept in a safe deposit box or a fire-proof, water-proof, burglar-proof home safe or lock box. Other important records may be filed at home or carried in a wallet or purse. These records and papers are those needed for identification purposes or for emergency medical treatment.

People often keep a combination of paper and digital records. Digital records are kept by storing electronic images on an electronic storage system like a computer hard drive or portable drive. According to the IRS (See IRS Publication #552, 'Record-keeping for Individuals') all requirements applying to hard copy records also apply to electronic storage systems which maintain tax books and records. Electronically stored records must be legible, readable, and accessible for the period of limitations required (see Chart 1). It is important to back up electronic files in case of a computer malfunction.

Regardless of how records are stored, regular filing and review of documents is important. Making the decision on when to discard old files is often difficult. Chart 1 lists records and important papers typically needed and why they are important. The chart also provides guidelines on how long records should be kept.

Because every household may have unique situations, there is space for additional records at the end. Due to the danger of identity theft consider destroying any documents you decide are outdated. It is important to shred or safely burn documents which contain your name, address, Social Security number, debit/credit card numbers, or other sensitive financial information.

Having your important papers organized and accessible can help you in many ways. If you are meeting with an attorney or financial adviser, you can prepare for the discussion and perhaps reduce the total cost of the consultation. If something should happen to you, it allows a loved one or trusted designee to readily locate durable and health-care powers of attorney, insurance policies, medical records, estate plans, and outstanding bills. See the eExtension web page '[Organize Your Important Household Papers](http://www.extension.org/pages/12475/organize-your-important-papers)' (www.extension.org/pages/12475/organize-your-important-papers) for more information.



Quick Facts

- A systematic plan for keeping track of important documents can save you hours of anxious searching for misplaced items.
- It is important to carefully store valuable papers which would be difficult or time-consuming to replace. These hard-to-replace documents are ideally kept in a safe deposit box or a fire-proof, water-proof, burglar-proof home safe or lock box.
- Electronically stored records must be legible, readable, and accessible for the period of limitations required. It is important to back up electronic files in case of a computer malfunction.
- Wherever you live there is always the risk of fires, floods, and other disasters, and your home and important documents could be totally destroyed. Assemble a 'Grab-n-Go' emergency bucket, box, tote, backpack, or electronic storage device (USB 'jump' drive) to have available on short notice.

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Chart 1. Important papers: what, why, and how long to keep?

What?	Why?	How Long? (Recommended)
Bank Records		
Cancelled checks* Bank statements Deposit slips List of account numbers Savings account statements	Proof of payment of bills, tax claims* Provides monthly/annual financial record Comparison with bank statements Information for family members, tax claims	3-6 years* 2 years 3-6 months 3-6 years While in force, plus 3-6 years*
Bills (current)		
Unpaid bills Charge account slips Utility bills	To insure prompt payment, to track utility usage	Until payment is documented (future bill shows payment)
Church Records		
Baptismal, confirmation, and membership records	Reference and information for family members	Permanently
Citations		
Record of traffic violations, accidents	Reference and documentation	3 years after violation or accident
Credit Card Records		
Credit card numbers Creditor's contact information including payment address Credit card term disclosure Credit card statements Photocopy of front and back of all cards	Proof of transactions, credit, and contract terms For notification of creditors and replacement in case of loss or payment notification is delayed Income tax deductions (non-consumer credit)	Until all listed credit cards expire or are canceled and destroyed While in force, plus 3-6 years* Until paid or permanently for items in personal property inventory
Debt Records		
Installment contracts List of creditor names, payment and billing error notification addresses, and other contact information Contracts, promissory notes, liens Final payment documentation	Proof of terms of transactions, income tax deductions (non-consumer credit) Address for billing error notification may be different than general addresses	While in force plus 3-6 years* Review periodically, revise as necessary
Education Records		
Diplomas Professional certificates Professional licenses Transcripts	For employment references and/or admission to training programs or educational institutions	Permanently
Farm or Other Business Records	Analysis of farm or business enterprise Income tax preparation	Up to 6 years*
Financial Planning		
Financial goals Income/expense records Net worth statements Account books Credit reports List of financial advisers and contact information	Written financial goals that are specific, measurable, attainable, realistic, and timely Document progress toward goal achievement Reference and comparison	Update as needed
Genealogy (family tree)	Reference for family members	Permanently
Health Records (family members)		
Immunization records Medical history and information Organ donor card	School admission, passport, reference for family members	Permanently
Housing Records		
Record of land transfer taxes, price paid, closing, selling costs Title insurance policy Deeds, mortgage Improvement receipts Utility deposits	To calculate basis and capital gains or losses when property is sold, support income tax deductions and basis in residential replacements	During ownership (plus 3-6 years after taxable disposition of property)*

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Income and Employment Records		
Employee benefit information, report Pension records from prior employers	Reference for income tax (including annual IRS form W-2), Social Security, and retirement contributions and benefits, work history	6 years to permanently* Permanently
Income Tax Records		
Federal and state income tax returns, all forms, and supporting data Annual W-2s, 1099 forms Receipts for taxable items (interest & dividends, records of capital gains, losses) Receipts for tax-deductible items (interest paid, child and medical care, donations, business expenses, real estate and personal property taxes, casualty losses)	Proof of filing and payment Support claims if return is audited	3-6 years* or permanently
Insurance Policies**		
List of policy numbers Names of insured, beneficiaries Issuing company, agent, type, amount of coverage; copies of policies	Reference for kinds and amounts of coverage Records of payments, premiums, and claims For periodic updating of coverage and/or payment of claims	Until collected, expires, or all claims are settled Update as necessary
Investment Records		
Certificates of deposit Investment certificates: stocks, bonds, mutual funds, real estate Transaction slips (price, broker's purchase, sales statements)	Proof of purchase, statement of earnings and transactions	Until maturity, redemption, or sold Until annual summary is received (keep longer for tax purposes if statements show a gain or loss Update as necessary for tax purposes
Net Worth Statement	For overall list of financial assets and liabilities, tracks financial progress and assists in future financial planning decisions	Update annually
Personal Documents		
Birth certificates, adoption papers, marriage license, divorce papers, alimony, child support awards, military service, Veteran's benefits, passports, Social Security documents, driver's license numbers, death certificates, citizenship and naturalization papers, copyrights, patents	For identification Reference for family members To document events as needed Ownership rights	Permanently Update passport every 10 years
Personal Property Inventory		
List of items, description, serial numbers, price paid, date, estimated current value, photos, videos Appraisals Vehicle titles and bills of sale	Reference and information for family members, documentation for insurance claims	Revise annually (especially when new items are acquired or when items are sold or discarded) Until vehicle is sold
Pet Records		
Health and immunizations License records Pedigree	Identification, health	Until death of pet or transfer of ownership
Property Records		
Property appraisals Easements Mineral and surface leases	Proof of payment, tax preparation, future reference	3-6 years or permanently*

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Receipted Bills and Sales Slips (tax deductible items)	Proof of paid bills, support income tax claims, proof of ownership for property insurance claims**	3-6 years* During ownership** Permanently if proof of purchase for item on personal property inventory
Rental Records		
Copy of lease, rental agreement Move in checklist Pictures showing move-in condition	Reference and information, proof of condition	Until you move, all claims are settled, security deposit is returned
Retirement and Pension Plans	Reference and information, proof of employer-employee contributions, payments and benefits received or payable	While in force or fund is exhausted
Safe Deposit Box		
List of contents in home file	Reference and information for family members, documentation for insurance settlement in case of loss (fire or theft)***	Update as needed
Subscriptions/Memberships		
Titles, renewal dates Membership details, renewal dates	Reference Determine renewal dates	Update as needed
Warranties and Guarantees		
Owner manuals	Reference and information, service, adjustments of defects of equipment or parts	During ownership
Wills		
Copy of will Trust documents Letter of last instructions Durable Power of Attorney Durable Power of Attorney for Health Care Medical Directives (living will) List of locations of important documents, names, contact information of personal & legal advisers Burial lot deeds	Reference, essential for settlement of estate Instructions for family members Gives others power to make financial decisions Gives others power to make medical decisions when you are unable to make decisions Reference specifying end-of-life care, instructions to doctors, hospital, nursing facility, hospice, home health agency, and family members Proof of ownership	Permanently, update as needed
Other (list)		
Other (list)		
Other (list)		

*Note: The Internal Revenue Service has three (3) years to audit Federal income tax returns (or two years from the date the tax was paid, whichever is later). However, this limit does not apply in 'unusual' cases. If an amount of income which should have been reported was not, and it is more than 25 percent of the income shown on the return, the period of limitation does not expire until six (6) years after the return was filed. There is no time limitation when a return is false or fraudulent, or when no return is filed. (See IRS Publication #552, 'Record-keeping for Individuals').

While you do not have to keep all possible financial records for tax purposes, if audited you will want to have cancelled checks or other verification of payment relating directly to entries on your tax return. In some cases, it is advantageous to keep records longer than the recommended period. For example, when selling your principal residence and claiming the capital gains exclusion allowed by the IRS, documentation of original purchase price and capital improvements may be required.

**Check with your insurance agent /broker for company requirements of proof of purchase and/or ownership of real and personal property in the event an insurance claim is filed. (In some cases, payment receipts are required; in other cases a written inventory and/or photographs is adequate documentation.)

***Contents of a safe deposit box usually are not covered by Federal Deposit Insurance Corporation (FDIC) insurance. Check with your insurance agent/broker regarding coverage under your homeowner's insurance policy or to determine if other coverage provisions are available.

Wherever you live there is always the risk of fires, floods, and other disasters, and your home and important documents could be totally destroyed. Prepare yourself so you can minimize the impact. Assemble a 'Grab-n-Go' emergency bucket, box, tote, backpack, or electronic storage device (USB 'jump' drive) to have available on short notice. This emergency pack should contain hard copies or electronic images of important papers to quickly take when evacuating: credit and banking information; driver's licenses; birth certificates; insurance

information including auto, health, medical, and home; important medical information such as medication and immunization records; personal property inventory with photos or videos; list of usernames and passwords for accounts accessed on the Web. See fact sheet 9.156, [Financial Emergency Preparedness](#) for a form to complete with this important information. It is recommended that you also have an extra set of keys for your autos, home, safety deposit box or safe; and enough cash to purchase fuel for auto, food, toiletries, and lodging for several days.