



Fee-Only Financial and Investment Planning  
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## On Course

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Welcome! This month we're doing a quick review of how long to keep your financial records. Whether electronic or paper-based, knowing what to keep and how long to keep it makes your financial life organized.

If you want to streamline your financial life, remember we're here to help you stay *On Course!*

-Jennifer Lane, CFP

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## Keeping Financial Records

**Most of the recommendations for keeping your records revolve around taxes, insurance, and investments, including your house.**

### Taxes

- Keep records for auditing using these guidelines
  - Three years from when you filed assuming you filed in good faith
  - Six years if you under reported by more than 25 percent
  - Permanently if you didn't file at all. So, it's always the better choice to file even if you don't need to.
- When you own your business or work from home
  - Keep the supporting records for any deductions for the same time periods as above
  - Include sales receipts and any large item receipts
  - Keep utility receipts if claiming home office deduction

### Statements

- The most efficient way to file your financial records is by year and then by category to tie well into your taxes.
- Accumulate paycheck statements during the year and then check against W-2 and Social Security reporting at year-end. If everything is correct, you can shred the statements.
- Keep your bank and credit card statements for the current year unless you need them for taxes. Shred in December.



### Jennifer's Hint

Most audits are resolved simply by providing the information to back up entries on your tax return or by correcting information that was reported incorrectly. Most audits are handled by mail, so surviving an audit is mostly about keeping good records and responding quickly and accurately to an inquiry. If you're called to a face-to-face audit, it can be very helpful to have a professional representing you.

**Get more tips in Jennifer's book**

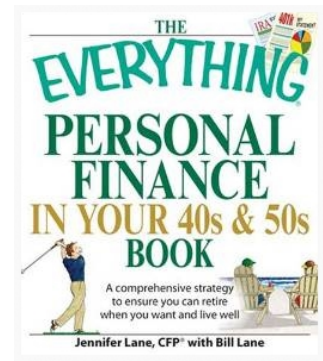
- If you change jobs mid-year, make copies of your 401(k) or pension statements prior to your last day so you have access to that information.

### Investments, housing, and other records

- Non-deductible IRA contributions
  - Keep a record indefinitely to avoid having to pay taxes as you withdraw.
  - File form 8606 when you make a non-deductible contribution to report to the IRS and ensure you have a permanent record.
- Review old investment statements for purchase cost basis. If your current statements reflect the new cost basis rules, then you can shred the old statements.
- Keep the annual statement for three years.
- Check to see how long your investment companies keep electronic copies of your statements. If it is less than three years, be sure you make your own copy to keep.
- Keep original contracts, property records, pension info, birth certificates, and legal documents as long as they are outstanding. You can keep them in a fire proof box in your home or in a safety deposit box as long as someone else knows where you keep them and **can access them** if you are incapacitated.
- Maintain good records of any capital improvements you make to your house as those expenses can prove increase in cost basis.

### Electronic backup

- If you use electronic records, e.g., pdf's or jpeg's as your record keeping, make sure you have three backups. The IRS doesn't care if your computer crashed.
- Back up to the cloud, to a remote backup service, and to a different device.



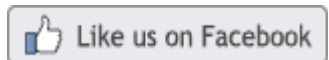
([click here for link](#))

### Helpful Websites

[Bankrate.com - Keeping records](#)

[IRS Form 8606](#)

[Mint.com](#)



## Q&A

**Q:** My husband and I have been married for three years. We have a good income, but our finances are unorganized and we have too many small accounts. We want to simplify our accounts but aren't sure how to put everything together.

– **Madeline, Ashland**

**A:** Madeline, three years is a good time to changing your process. So many couples start out with separate accounts. One way to do this is to use Mint.com, an account aggregator. You won't actually have to move your money because Mint.com links all of your accounts so you see everything together. Once you've done that, you can both deposit your paychecks into the same account as well as pay household expenses from that account. Using what's left over, decide on a weekly allowance for each of you.

## Pan-Mass Challenge

**The Pan-Mass is here! This weekend - August 1 & 2 - Jennifer will ride in the Pan-Mass Challenge. 100 percent of every rider-raised dollar goes to the Dana-Farber Cancer Institute. Her rider profile page is [here](#) if you would like to donate.**

## What's New

- Jennifer recently answered NECN viewer questions about **money smart summers**. Click [here](#) to watch the segment on her blog.
- Follow us on Facebook! Visit [www.facebook.com/AskJennifer](http://www.facebook.com/AskJennifer) and like us!
- Jennifer appears on NECN every other Monday morning at 9:30 am in addition to her Tuesday 6:30 pm appearance.

Compass Planning Associates helps families, individuals, and small-business clients achieve financial security, knowledge, and control over their money. Our **fee-only, client-centered approach** provides education and guidance for achieving financial goals and dreams.

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