
How Long Should You Keep It?

It fills up folders, even drawers. Maybe you have it in boxes. However you organize it, both the law and self-preservation suggest that you should hang onto it for awhile. Of course, we're referring to all that financial paperwork. Below is a handy guide to how long you need to keep most types of personal financial information. On the back is more detailed information on how to show proof of payment, as well as specific things you may need for different classes of assets.

PERMANENT

- ❖ Divorce documents
- ❖ Estate planning documents
- ❖ Home sale documents (Form 2119)
- ❖ IRA annual reports (Form 5498)
- ❖ IRA nondeductible contributions (Form 8606)
- ❖ Retirement plan annual reports
- ❖ Tax returns - complicated

7 YEARS

- ❖ Bank statements & deposit slips
- ❖ Cancelled checks supporting tax deductions
- ❖ Charitable contribution documentation
- ❖ Credit card statements
- ❖ Income statements (W-2, 1099, K1)
- ❖ Tax returns – uncomplicated
- ❖ Receipts, diaries & logs relevant to returns

OWNERSHIP PERIOD + 7 YEARS

- ❖ Dividend reinvestment records
- ❖ Home improvement receipts and cancelled checks
- ❖ Home purchase documents
- ❖ Investment property purchase documents
- ❖ Investment purchase/sales slips
- ❖ Mutual fund annual statements
- ❖ Year-end brokerage statements

OTHER

- ❖ Home repair receipts & cancelled checks: Warranty period for item
- ❖ Insurance policies: Life of policy + 3 years
- ❖ Loans: Term of loan + 7 years

Don't forget...once you *can* get rid of it, protect yourself by shredding it.



GENERAL PROOF OF PAYMENT

For expenses you believe may be deductible, the IRS typically wants to know:

- ❖ The check number (if a check)
- ❖ The amount paid
- ❖ The date (either the bank's post date or, in the case of credit card charges, the actual date you charged the item)
- ❖ The payee's name

You can document this with:

- ❖ Cancelled checks
- ❖ Sales slips, receipts or paid invoices PLUS some kind of financial account statement

TIPS

- ❖ Charges are counted as expenses on the date you execute the charge, not the date you pay the credit card company.
- ❖ A detailed check register is often acceptable to the IRS as a financial account statement.

DOCUMENTATION FOR SPECIFIC ASSET CLASSES

For specific types of asset, the IRS will expect you to be able to show certain things. Here's a quick overview.

CAPITAL GAINS/LOSSES

- ❖ When/how you acquired the asset
- ❖ How you used it
- ❖ When/how you disposed of it
- ❖ Your cost or other basis
- ❖ The asset's gross selling price
- ❖ Expenses related to selling the asset
- ❖ Purchase-related expenses
- ❖ Cost of improvements

BASIS OF PROPERTY

- ❖ Purchase price
- ❖ Cost of other basis adjustments (depreciation, deductible casualty losses)
- ❖ Documentation on previously sold homes for which you've postponed the capital gains tax (Form 2119)

Additional Documentation Required for Property Received as a Gift

- ❖ Donor's adjusted basis just prior to gift
- ❖ Fair market value on the date of the gift
- ❖ Any gift taxes paid by the donor

REINVESTED DIVIDENDS

- ❖ All statements showing the reinvested dividends

CHARITABLE SERVICES

- ❖ Receipts for unreimbursed expenses you incur while volunteering (oil, gas, parking fees, tolls)
- ❖ Alternately, a mileage log (standard rate is \$.12/mile; parking fees and tolls are still deductible)

IRAS

- ❖ Form 8606 (documents nontaxable distributions)
- ❖ Form 1040 (or 1040a or 1040NR) for years in which you make nondeductible contributions
- ❖ Form 5498 or similar annual statements showing contributions
- ❖ Form 5498 or similar statements showing the value of your IRA for each year you received a distribution
- ❖ 1099-R for each year you received a distribution

ADELMAN KATZ & MOND LLP

Your Most Trusted Advisor
230 West 41st Street, 15th Floor
New York, NY 10036-7207
212-382-0404
fax: 212-382-2686
www.akmcpa.com

Partners:

Alan R. Adelman, CPA
Lawrence Katz, CPA, CFP®, PFS
David E. Mond, CPA
Jack E. Gold, CPA
Stuart J. Hammer, MBA, CPA
Warren M. Bergstein, CPA, AEP
Craig L. Venokur, CPA

Adelman Katz & Mond aims to be our clients' most trusted business advisor. To earn that trust, we work hard to improve on our own expertise, which has been honed over 40 years. And to cover all the bases, we build successful collaborations with other professionals – including attorneys, bankers, investment managers and insurance brokers. We invite you to find out more about the benefits of having us as your most trusted business advisor.

© Adelman Katz & Mond LLP. All rights reserved.

