FSB™
Financial Strength Builder

Your Financial Records: What to Toss and When

Bank statements, credit card bills, canceled checks and other documents can be useful for tax purposes, as proof of a transaction or payment, or for other reasons. But how long should you keep them?

We can't tell you when it's safe to throw away financial documents. One thing to remember, though, is that federal tax rules require you to have receipts and other records that support items on a return for as long as the IRS can assess you additional tax.

"In very general terms, because the IRS has about six years to assess additional tax if you underreported your income by more than 25 percent, many tax advisors recommend holding all tax records for about seven years, building in extra time for any unforeseen delays in processing your return," said Rick Cywinski, an FDIC tax policy manager. He also noted that the tax period is unlimited if the IRS suspects fraud.

With tax considerations in mind, here are suggestions that may be reasonable for many people.

Credit card and bank account statements: Save those with no tax significance for about a year, but those with tax significance should be saved for seven years.

Canceled checks: Those unrelated to anything you claimed on your income tax form and not needed to show you've paid a bill or debt probably can be destroyed after you've verified that your bank statement is correct. But canceled checks that support your tax returns, such as charitable contributions or tax payments, probably should be held for seven years.

And, you may want to keep indefinitely any canceled checks and related receipts or documents for a home purchase or sale, renovations or other improvements to a property you own. But once a home has been sold and another seven years have passed, checks related to renovations or improvements can be destroyed.

Of course, many banks no longer send cancelled checks, although they may provide copies of the originals. "You can keep the copies of your tax-related checks if you get them from your bank, but if you don't get copies with your statement, you have some options," said Evelyn Manley, a Senior Consumer Affairs Specialist at the FDIC.

"The most conservative approach is to order copies of important checks soon after your statement arrives," she said. "Another is to keep the information on your bank statement to order copies if you're audited in the future because, in general, banks that do not return original checks to customers are required to keep copies of checks for seven years."

Also, she said, if you keep records electronically, be sure to back up your data. You can store it in various ways (on CDs, flash drives and so on), but as old technology is no longer supported, you will need to transfer your old data to new media. Another option is to research different companies that provide backup storage online, either free or for a small charge.

Deposit, ATM, credit card and debit card receipts: Save them until the transaction appears on your statement and you've verified that the information is accurate. You may make an exception for receipts for expensive items. If they are under warranty or you have to file an insurance claim, the receipt may be helpful.

Finally, before tossing away any document that contains a Social Security number, bank account number or other personal information (especially financial information), shred it to avoid becoming a victim of identity theft.

For additional guidance on what records to toss and when, ask your accountant, attorney or another trusted advisor.