

Let's Talk Finances

Cleaning House: Finance Edition



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January may seem too early for spring cleaning, but it's a perfect time to dust off and organize your financial house. It can be difficult to determine what you need to keep and what you can get rid of, however. If organizing your home office is on your list of New Year's Resolutions, here are some tips to help you decide what should stay and what can go:

Save: Tax Returns

Always save your tax return documents for at least three years; you'll need them if you're ever audited. If your taxes are more complex, for example if you own your own business or employ domestic help (such as a nanny or full-time housekeeper), you should keep your tax returns for longer. If you suspect you may have underreported your income in recent tax years, keep those documents for six years.

Save: Investment Records

Hang on to investment records, especially if you don't receive digital copies, for at least as long as you own the investment. Until you sell the stock, bond or other security, maintain the original record. This will help you accurately determine the loss or gain upon sale, which will ultimately determine the tax ramifications. If you want to clear your office of unnecessary paper, check to see if your brokerage firm allows you to access those documents electronically. If so, feel free to shred the paper copies.

Shred: Most Receipts

Most receipts can be tossed in the trash (rather than shredded) after about a month. Hang on to any bank account, ATM and credit card transaction receipts until the account is reconciled (aka balanced or paid off) and then shred. One exception to this rule is for major purchases, where receipts should be saved for as long as you own the item. The general rule of thumb: if you purchased something valuable enough to have insurance, like a wedding ring or new appliance, keep the receipt in a file. Another type of receipt you should keep indefinitely is receipts for home improvement projects. Not only do they often include warranty information, but they could help you sell your home one day.

Shred: Bills

For most households, bills can be shredded as soon as they're paid. However, if you run a home-based business, you might need to refer to paid bills for tax purposes, so it's best to keep them until after you receive your return. It's important to shred paper copies of bills, rather than throwing them out, because unlike small purchase receipts, they have enough information printed on them for a criminal to use to steal your identity.