Financial Records Timeline

Type of Record	Length of time to keep and why
Taxes **Returns** **Cancelled checks/receipts (alimony, charitable contributions, mortgage interest and retirement plan contributions)** **Records for tax deductions taken**	Seven years The IRS has three years from your filing date to audit your return if it suspects good faith errors. The three-year deadline also applies if you discover a mistake in your return and decide to file an amended return to claim a refund. The IRS has six years to challenge your return if it thinks you underreported your gross income by 25% or more. There is no time limit if you failed to file your return or filed a fraudulent return.
IRA Contributions	Permanently If you made a nondeductible contribution to an IRA, keep the records indefinitely to prove that you already paid tax on this money when the time comes to withdraw.
Retirement/Savings Plan Statements	From one year to permanently Keep the quarterly statements from your 401(k) or other plans until you receive the annual summary; if everything matches up, then shred the quarterlies. Keep the annual summaries until you retire or close the account.

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Bank Records	From one year to permanently Go through your checks each year and keep those related to your taxes, business expenses, home improvements and mortgage payments. Shred those that have no long-term importance.
Brokerage Statements	Until you sell the securities You need the purchase/sales slips from your brokerage or mutual fund to prove whether you have capital gains or losses at tax time.
Bills	From one year to permanently Go through your bills once a year. In most cases, when the canceled check from a paid bill has been returned, you can shred the bill. However, bills for big purchases – such as jewelry, rugs, appliances, antiques, cars, collectibles, furniture, computers, etc. – should be kept in an insurance file for proof of their value in the event of loss or damage.
Credit Card Receipts and Statements	From 45 days to seven years Keep your original receipts until you get your monthly statement; shared the receipts if the two match up. Keep the statements for seven years if tax-related expenses are documented.

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Paycheck Stubs	One year When you receive your annual W-2 form from your employer, make sure the information on your stubs matches. If it does, shred the stubs. If it doesn’t, remand a corrected form, known as a W-2c.
House/Condominium records	For Six Years to Permanently Keep all records documenting the purchase price and the cost of all permanent improvements – such as remodeling, additions and installations. Keep records of expenses incurred in selling and buying the property, such as legal fees and your real estate agent’s commission, for six years after you sell your home. Holding on to these records is important because any improvements you make on your house, as well as expenses in selling it, are added to the original purchase price or cost basis. This adds up to a greater profit (also known as capital gains) when you sell your house. Therefore, you lower your capital gains tax.