

WHAT TO KEEP AND WHAT TO THROW AWAY

Before you send all your documents through the shredder or file them, you should know what to keep and what to throw away. Take a look at these guidelines to figure all that out.

Credit card receipts and statements-keep for 45 days. Keep receipts until your monthly statement arrives; if that's correct, toss the receipts. Exceptions: keep a receipt if you are disputing a bill or to cover the length of a warranty or return period. Hold on to the statements for seven years if they contain tax-related expenses.

Pay check stubs-keep for one year. Make sure the information on your paycheck stubs match your annual W-2 when you receive it, then throw away the stubs. If your employer lists vacation/sick leave on your paycheck stub, keep the last one of the year. Notify your employer if the information doesn't match.

Retirement/savings plan statements-keep for one year. Keep quarterly statements until you receive your annual summary. If everything is correct on the annual summary, toss the quarterlies. It's best to hold on to annual statements until you retire or close the account.

Credit union records-keep for one year. At the end of each year, go through your share draft statements and only keep those related to taxes, business expenses, housing or mortgage payments.

Bills-keep for one year. Keep bills for major purchases-cars, jewelry, furniture, computers and so on-to show their value in the event of loss or damage. For other bills, once you know the payment has cleared your credit union account and the return/refund period has expired, toss that bill.

House records-keep for six years. Keep purchase price information and the cost of permanent improvements to your property, such as remodeling. Also, if you buy or sell property, keep the records of legal fees and your real estate agent's commission for six years after you sell your house. Keeping these records, especially home improvement records, is important and could help lower any capital gains tax should you decide to sell.

Tax records-keep for seven years. The IRS has three years to audit your return, and you have three years to file an amended return to claim a refund if you made a mistake. If you made the mistake of underreporting your gross income by 25% or more on a return, the IRS has six years to challenge it. If you filed a fraudulent return or didn't file one at all, the IRS can catch you on it anytime.

IRA contributions-keep permanently. Keep nondeductible contribution records permanently in case you need to prove you paid tax on the money when you want to withdraw it.