When to Keep, Shred or Scan Important Papers

Depending on the date, you may not need to hold onto these documents

by Daniel Bortz, AARP, August 5, 2019

Tax returns

Don't plan on running for president? Hold on to your old tax returns and supporting documents for three years, counting from the return's due date or the date you filed (whichever comes later). That's the window the IRS has to audit you to catch any mistakes, explains Mark Steber, chief tax officer at Jackson Hewitt. If you're self-employed or have a complicated return, though, double that to six years, which is how much time the IRS has to audit you if it suspects you've grossly underreported your income. However you earn your money, check your My Social Security account before you shred so you can verify that Social Security has accurately recorded your earnings for each year. Having your tax returns in hand will make it easier for you to get your figures corrected.

Do you own your home? Keep financial records related to real estate for seven years after you sell, the IRS advises. By using home-improvement receipts, you can potentially reduce any taxes you might owe on the sale.

Fight Identity Theft by Shredding Unneeded Documents. Some Options:

Local events. Check with your state AARP office for shredding days, or search online for one nearby; no charge.

Retail services. FedEx and Staples, among other stores, will shred for you; $1 and up per pound of paper.

Do it yourself. Buy your own shredder — one that's described as confetti, crosscut or micro cut; $35 or more.

Banking/Investments

If there's a possibility you or your spouse will be applying for Medicaid for nursing home coverage, in most cases you'll need to produce five years of financial records — banking, credit card and brokerage statements. That's so the government can look for any asset transfers that might delay your eligibility. Otherwise, keep banking and financial statements for a year, except those issued for income-related purposes to provide the IRS with a record of tax-related transactions, says Jennie Gift, vice president of business development at document-management company Records Nation. Your bank or credit card issuer may have statements going back several years online, she adds; if not, download each new statement and save it in a password-protected folder on your computer.

Own stocks or bonds? Keep records of any purchase for six years after you file the return reporting the sale of that security — again, in case the IRS thinks you've underreported your gains.

And dump that shoebox of old canceled checks, since electronic versions of them are retained by your bank or credit union, says Bankrate senior economic analyst Mark Hamrick.

Medical

Err on the side of caution here. Harlan Krumholz, a cardiologist and health care researcher at Yale University, recommends that people retain all medical-test results (such as blood-test results and X-rays) indefinitely. "Normal or not, the information may be useful in the future in their own clinical care or for research," he notes. Particularly important are surgical reports, hospital discharge summaries and treatment plans for major illnesses. Put these in a password-protected folder on your computer or in a secure cloud-based account so that you can easily share them with future health care providers. Keep immunization and vaccination records permanently, too — they may be required for certain jobs or for traveling abroad, and you shouldn't rely on your doctor's office to store them.

Hold on to proof of payments to medical providers for six years with the relevant return, Gift advises, to show the IRS that you've made legitimate health care deductions.