

## Location of Documents

**Overview:** By knowing the location of your most important documents, you can be assured that they will be easily accessible if and when they are needed. Following are some general guidelines regarding storage of important documents.

For many investors, the amount of financially related paperwork they store can be staggering. Tax returns, brokerage statements, bank statements and insurance forms are just a few examples of what may be stored in filing cabinets, regardless if it's needed.

It leads to a simple question with a sometimes complex answer: If paperwork was needed, would you be able to find it? The needs can vary greatly, ranging from the routine (the sale of a security) to the devastating (the death of a loved one). Having documents stored in their proper locations can greatly reduce your stress when those documents are suddenly needed.

Each person's situation is different, so the final decision on which documents to keep and where to keep them should be tailored to suit your individual needs. In many cases, the decision becomes a matter of personal comfort level: having enough documentation to back up any claims versus having too much paperwork scattered around the house or held elsewhere.

### General Storage Rules

Deciding where to store documents can be every bit as important as deciding what to store. Store an important document in an unsecured location, and you risk losing it. Store the wrong document electronically, and you could run into incredible hassles if it turns out the original is required.

When deciding where to store documents, the natural place to start would be a safe-deposit box, considered one of the most secure places to store items. Documents stored in a safe-deposit box should be ones that are infrequently referenced. For some, making frequent trips to obtain them can be a hassle. Also, documents that are difficult or impossible to replace should be kept in a safe-deposit box.

A word of warning: A safe-deposit box registered with only one name can be very difficult to open after the owner has died. Consider having at least two names on your safe-deposit box.

Another storage location is a fireproof safe or lock box located in the house. This would be ideal for documents that are frequently needed but still need to be secured. It is also a fine location for documents that could be needed in an emergency.

Filing cabinets or other general storage units can house documents that are necessary or useful, but not confidential or irreplaceable. For large amounts of paperwork, consider storing electronic copies. This could reduce your volume of paperwork and give you easy access to the records.

An important part of recordkeeping is having a record of your records. When a traumatic event occurs, such as a death in the family, some documents may be needed quickly and searching frantically for them can make a stressful time even worse. This list should be easily accessible, and its location should be known to anyone who may need to see it.

### What to Keep and How Long to Keep It

In general, documents should be kept until replaced with a more comprehensive document. For example, keep receipts until a monthly bank statement arrives, then shred receipts after comparing them to the statement for errors.

The decision of where and how to keep documents largely depends on personal preference, but here are a few guidelines involving common documents:

#### Wills and Trusts

Keep wills and trusts forever. Choosing the right location can be a matter of personal preference. On one hand, these are documents that are infrequently referenced and storing them in a safe-deposit box makes sense because it is a natural place for such documents. On the other hand, they are also documents that need to be accessed quickly after a death, and that is more easily achieved by storing them in a fireproof safe in the house. Consider keeping the original document at home in a fireproof safe and a copy in a safe-deposit box or with a trusted individual.

#### Tax Returns

Past tax returns can be used for a variety of purposes, including future tax filings. For example, anyone filing an amended tax return will need the original as well.

Past returns also serve as records should the Internal Revenue Service (IRS) challenge their validity. The IRS has time limits on challenging returns based on reason, so you should keep past returns and any necessary supporting documents for at least three years.

IRS Period of Limitations		
	If you ...	Then the period is ...
1	Owe additional tax and (2), (3) and (4) do not apply to you.	Three years
2	Do not report income that you should and it is more than 25 percent of the gross income shown on your return.	Six years
3	File a fraudulent return.	No limit
4	Do not file a return.	No limit
5	File a claim for credit or refund after you filed your return.	Three years OR two years after tax was paid, whichever is later
6	File a claim for a loss from worthless securities.	Seven years

Source: Recordkeeping for Individuals, IRS Publication 552, April 2005.

Tax returns should be stored in the easiest possible manner. Hard copies in a filing cabinet or electronic copies would be just fine.

#### Investment Contributions and Statements

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Basic investment records should show basis in an investment and a gain or loss upon selling the investment. An example would be brokerage statements.

Documents involving nondeductible retirement plan contributions are especially important to keep. Those documents provide proof that taxes have already been paid on those contributions. While many financial institutions keep such records, the burden of proof rests with the investor.

The storage method depends on the age of the document. Recent brokerage statements can typically be replaced easily, so general storage methods will likely work fine. However, older brokerage statements or certificates may be irreplaceable. In that case, either a safe-deposit box or a fireproof safe would be a better choice.

### **Bank Records**

Making the decision to keep or shred bank statements depends on what the statement contains. Statements with no long-term significance can be shredded after being checked for errors.

Other statements may be needed longer. If the statements serve as supporting documents for tax returns, keep those as long as the returns. Also, bank statements can serve as proof of purchase, so statements containing large items should be kept for as long as proof of purchase would be needed.

For example, bank statements showing home improvements costs should be kept until the house is sold, since those statements serve as proof of purchase on the improvements. Such improvements increase the basis in the house, which can affect the taxable gain from selling the house.

### **House or Condominium Records**

Besides improvement records, other important housing documents include property deeds and papers showing closing costs, purchase price, casualty losses deducted and insurance reimbursements for casualty losses. Such documents are not needed often, and could be stored in a safe-deposit box.

### **Insurance Policies**

Having insurance policies on hand can save time if the policy is needed. While these documents can typically be reproduced, the time spent trying to get them can be aggravating, especially in addition to dealing with whatever situation is triggering the need for the policies.

The storage considerations for insurance policies are similar to those for wills and trusts. They are used infrequently, but need to be quickly accessible when needed. Because these documents are easier to reproduce than wills and trusts, keeping such a file at home is a reasonable option.

### **Summary**

A good filing system for important documents can serve you well, both now and for years to come. Because each investor has individualized needs when it comes to financial records, it is prudent to consult with an advisor about the best ways to store important documents.

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