

Know when to hold 'em, know when to fold 'em

I know those words, Budget Guy! They're from an old song called "The Gambler." Surely you're not going to suggest that gambling is the way to build my 401(k) back up?!

You're right! About the song, that is. Recorded by Kenny Rogers, it made it to #1 on the Billboard country music charts for a couple of weeks back in 1978. But no, I absolutely do not recommend gambling. In fact, the song isn't really about gambling, it just uses it as a metaphor for life.

So somehow you're going to make "holding and folding" tie in to my financial life?

You bet! You see, one of the problems people have is managing all of the paper and records that go along with their finances. It doesn't take long to build up quite a collection!

Ain't that the truth! I've got boxes of old records. Never know when I might need 'em, so I just hold 'em all. Sure wish I could get rid...wait a minute! "Know when to hold 'em, know when to fold 'em." You're going to tell me what to keep and what to get rid of, aren't you!

Bingo! In fact, on the next page you'll find a handy dandy little chart that will tell you what to keep and how long to keep it. And to go along with that chart, here are some thoughts about keeping records.

Paper records should be kept in one of two places. Those that are irreplaceable or difficult to replace, like receipts and canceled checks, deeds, car titles, passports, birth certificates, etc., should be kept in a safe-deposit box or home safe. All other paper records can be kept in a filing cabinet or a file box or two.

Over the long term, a home safe is more cost-effective than a safe deposit box. Just get one that is bigger than you think you really need and make sure it provides fire protection (I recommend a two-hour rating) and is water resistant. If you'll be storing CDs, DVDs, memory sticks, etc. in it, also make sure it's rated for those items.

You can also store records electronically, opting out of paper statements and instead downloading

them to your computer. Sure cuts down on the paper! But if you do that, it's essential that you have some type of backup process.

At a minimum, you should back files up to another hard drive. Unfortunately, that will only protect you from the failure of your main hard drive. If there's a fire or your computer is stolen, you will probably lose both your main and backup drives.

You could periodically back things up to CDs and put them in your safe deposit box or home safe (if it's rated for electronic media). Been there, done that, though, and I was always behind because it was something of a hassle.

So consider an online backup service. Then your backups will be automatic and always current. The major services all encrypt your files and use sophisticated security so your information is actually better protected there than on your own computer.

So what about when I "fold 'em?" Any suggestions for how to get rid of things?

Sure. For paper records, use a cross-cut shredder for anything with any kind of personal info on it. (If you live in Austin, you can recycle shredded paper. Just put it in a paper bag, staple the bag closed, and put it in your recycle cart.)

When it's time to replace your computer, don't just delete the files. They're not really gone when you do that, just hidden. Get a program that overwrites files multiple times with random data, or even one that wipes the entire hard drive clean.

And that about wipes clean the ideas for this month. Time for you to get on with your holdin' and foldin'!

Want a little help with some aspect of your financial life? Call the Budget Guy, Allen Gunter, at 301-1246 or send an email to BudgetGuy@SHPC.org. I will help you in any way I can, and it's free and completely confidential. If you'd like to learn how to get out of debt and build financial security in a small group setting, ask Roger Wade (301-4921; rcwactuary@austin.rr.com) about the Dave Ramsey Financial Peace University program at SHPC.

What to Keep and For How Long

Tax Returns: Keep completed returns forever; keep supporting records for three years after filing (seven years is better); keep supporting records forever if you failed to file a return or filed a fraudulent return

Form 5498 (for IRAs): Keep until needed to support tax treatment of IRA distributions and then keep as needed for "Tax Returns"

Employer 401(k) and Pension Plan Statements:

- Individual account balance plans: Keep monthly/quarterly statements until annual summary received; if everything matches, discard interim statements. Keep annual summaries until last distribution made from plan and then as needed for Tax Returns
- Pension plans: Keep any statement of accrued and/or projected benefits until next statement received; if new benefit information is consistent with old, discard old statement

Savings/Checking Account Statements: One year; shred ATM and deposit/withdrawal receipts after you've checked them against your account statement

Cancelled Checks (to the extent you still get them): Generally keep for one year, but:

- Those related to taxes: Keep as needed for Tax Returns
- Mortgage payments: Attach each year to annual statement received from lender and keep until mortgage paid off; then keep as necessary for Tax Returns
- Property tax payments: Attach to property tax receipts each year and keep until at least one year after property sold and then for as long as needed for Tax Returns
- Major purchases: Attach to receipts; keep as described under "Bills, Receipts and Credit Card Records"

Student Loan Records: Forever

Pay Stubs: If pay stub includes year-to-date data, only keep most recent stub; keep last pay stub of year until W-2 that matches is received (exception - keep as needed for Tax Returns if stubs show tax deductions like union dues not shown on W-2)

Investment Records: Brokerage account and mutual fund statements, trade confirmations, and all other documentation concerning investment purchases and sales, interest, dividends, capital gains distributions, etc. should be kept until the recognized in tax return, then continue to keep as needed for Tax Returns

House Records: Keep records of purchase price and related expenses, bills and receipts for improvements, and records of selling expenses until you sell house and then as needed for Tax Returns

Bills, Receipts and Credit Card Records:

- Regular bills (like utilities, car insurance): No need to keep after check clears bank or payment is otherwise confirmed; may want to keep, however, to compare over time
- Receipts for major purchases: Keep receipts for items such as jewelry, rugs, appliances, antiques, cars, collectibles, furniture, computers, etc. in a fire-proof location to support your insurance claim in the event of a disaster
- Tax-related receipts: Keep receipts for tax-deductible expenses such as medical and investment expenses until tax return filed and then as needed for Tax Returns
- Final receipts from closed accounts: Keep for one year
- All other receipts, credit card records: Discard receipts for which you won't need to prove payment or for items that can't be returned (e.g., gas, grocery and restaurant receipts); if cash receipt, discard after recording in budget; if credit receipt, shred after matching against statement and recording in budget

Personal Documents: Keep forever things like birth, marriage and death certificates, adoption and divorce decrees, etc.

Everything Else: If in doubt, save it!