VANTAGE POINTE
Vantage Financial Partners Limited

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KEEPING HOUSE (& RECORDS)

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Consumers currently receive increasing quantities of paper, and such volumes have become a hazard within the financial world. Clients often ask, "Do I have to keep all these records, and if so, for how long?" As well as providing useful information for review and verification, many statements may carry tax and legal significance requiring retention beyond the time required to substantiate the transaction. In this article we will review some common types of records and their recommended retention times.

TAX RECORDS

The IRS typically has three years to audit a tax return. However, if an individual's income is under-reported by 25%, the IRS has six years to assess additional tax. Moreover, if an individual neglects to file a return, or is found to be fraudulent, a statute of limitations does not apply. We generally recommend that you keep tax records for a minimum of seven years.

INVESTMENT STATEMENTS

Investment statements typically are received monthly or quarterly, with a summary provided annually (Form 1099). Confirmation statements are distributed whenever a purchase or sale of a security is made. We generally recommend keeping confirmations until the position has been sold and settled. Monthly and quarterly statements can be held until you receive the annual summary statement. Once you verify the accuracy of the annual summary, the monthly and quarterly statements can be disposed of in order to save space. The annual summaries and confirmations should be retained for at least seven years after the securities have been sold or the account has been closed. Most investment companies keep tax basis records. Beginning in 2011, all brokerage firms will be required to report tax basis for securities when they are sold, which adds yet another reason to maintain this information with your tax records.

> *"...many statements may carry tax and legal significance requiring retention beyond the time required to substantiate the transaction."*

HOME IMPROVEMENT RECORDS

Improvements to your principal residence may be deducted if they exceed the $250,000 gain exemption currently allowed for each spouse. Any receipts for eligible improvements that have been claimed should be kept for at least seven years after you sell a home (improvements are additions to tax basis for gain purposes). Moreover, the tax exemption may be changed in the future so we suggest that you keep records of all home improvement costs at least until you sell the home. Improvements to investment property and vacation homes should also be kept for seven years after the sale.

LEGAL DOCUMENTS

Obviously birth certificates, passports, marriage certificates, wills, trusts, etc. should be kept for life. Store them in a fireproof box or a safe deposit box for added security. Some law firms will hold wills, trusts and other legal documents in fireproof vaults for clients. You may want to consider this type of service.

MEDICAL RECORDS

When medical expenses exceed 7.5% of your adjustable gross income (AGI), you may be able to deduct them. All receipts for these expenses should be retained for seven years with your tax records. If they are not used for tax reporting purposes because you don't meet the threshold, you can shred them after the current tax year unless they are needed for ongoing medical or personal reasons.

BILLS AND CREDIT CARD STATEMENTS

Typical recurring bills like those for utilities and insurance should be kept through the calendar year for budgeting purposes. Utility bills should be kept for at least one year if you plan to sell your home in the near future since prospective buyers may want them for review and verification. Credit card statements should be kept for a year to assist you in budgeting and to make sure any rewards are properly paid. In addition, if you have made any large asset purchases with a credit card you may want to keep the appropriate month's payment record as part of your tax basis records in the event of a sale or disposal in the future.

HOW TO DISPOSE OF RECORDS

We suggest as a minimum recommendation that all documents be disposed of using a cross cut home shredder. You can also take your records to a reputable shredding facility for disposal. Check with your city hall or township office to determine if your community sponsors a free shredding service for residents, as many do. With identity theft rampant, old records, credit cards, and offers should never be casually discarded in the general trash. This also applies to convenience checks that credit card companies may send in the mail.

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These tips hopefully have provided you with general guidelines for record retention and storage. Any questions on these tips or regarding record retention can be discussed with your Relationship Manager. For specific legal requirements we recommend you consult with your attorney and tax advisor to ascertain whether your circumstances may warrant exceptions to the guidelines discussed in this article.

You and a guest are cordially invited to an inspiring evening with former NBA superstar, Bob Love.

For more information, or to RSVP, please contact Maria Saravia at 847.590.5555 ext. 108.

Seating is limited!

VANTAGE NEWS

2010 PICNIC

Last month we invited our families to join us at our annual picnic. Delicious food, delightful weather and a pleasant setting combined with our playful side to create quite an enjoyable afternoon. The bean bag toss and volleyball game offered an opportunity to share our more competitive side, all in good fun. The fun continued through the water balloon toss, even when the gentle tossing turned into a rambunctious free-for-all. Thanks to our families and friends for making it such a great day. Who says financial planning can't be fun!