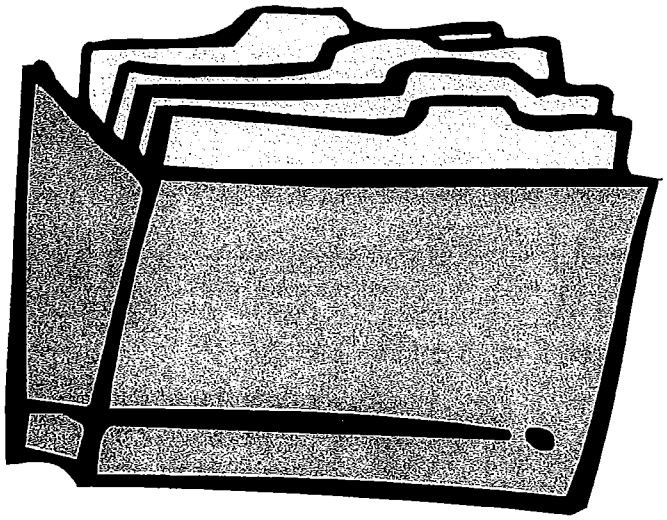
FE-445 (Revised)



FAMILY RECORDS:

What to Keep Where and For How Long

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Families are minibusinesses.

Families perform the same tasks as businesses – they plan, buy, save and invest – but usually on a smaller scale. That is why keeping family records is just as important as keeping farm or business records.

Why Should You Keep Records?

Keeping family records in a businesslike manner saves time, trouble, money and frustration. Recordkeeping is important because:

- Income tax preparation requires information on tax deductions; records substantiate deductions.
- Death, fire or theft may call for records to establish ownership; records help in estate settlement and insurance or benefit claims.
- Records document certain transactions; if someone makes a mistake or official records are destroyed, your records may be needed.
- Records could shorten the time collecting insurance, military benefits, veterans benefits or an income tax refund can take.
- Evaluating records provides information for planning future spending. Records provide a summary of your financial situation and can help you keep tabs on where the money goes.

What Kind of System Do You Need?

Use a system that fits your family's lifestyle. The family finance center might be as elaborate as a home office or as simple as a drawer in the kitchen or a file cabinet in the family room.

Deciding who will take major responsibility for recordkeeping in the family is important. All members – including children old enough to understand – should know how the recordkeeping system works and how information can be found easily. Some of the tasks can be shared or delegated, but one person with the skills and interest should take the leadership.

Develop a regular schedule for bookkeeping and resolve to stick to it. A routine actually will reduce the amount of time you spend on recordkeeping.

A well-organized recordkeeping system will eliminate confusion when important papers are needed. Getting started on a recordkeeping system may be time-consuming, but once it is set up to meet your family's needs, maintaining the system will be easy.

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How Do You Organize a Record System?

You should carry some basic records with you at all times. Your wallet, billfold or purse is a small record system. Keep identification with you, including your driver's license, name of person to notify in case of an emergency, credit cards and organization membership cards. You may wish to carry only one or two major credit cards.

You also should carry health, accident and auto insurance information, and information on allergies, health problems and blood type.

Other records require a different approach, but the approach does not need to be difficult. Use NDSU Extension Service publication *HE-446, "Inventory of Important Family Records,"* as a guide for what type of records to keep and also as a record of where these records can be found.

The easiest way to keep track of your family papers and business records is to set up a filing system. A place to store file folders is more important than a fancy desk. A metal filing cabinet, an under-the-bed storage chest or cardboard box, or an accordion folder will do the job as well as a desk drawer.

Gather your important papers from throughout the house. Divide your file folders into three major areas:

Current financial records
Inactive financial records
Permanent records

The **current** files should include employment records, credit card information, insurance policies, family health records, warranties and guarantees, education records, bank statements, a household inventory, tax records and canceled checks. These headings may be used as a basis for your filing system.

The **inactive** files are used to store the items from the current files that are three years old. Go through the current files once a year. Discard unneeded items and transfer others to inactive storage. A good time to make transfers is the first of the year, when you work on your income tax forms. File headings would be the same as for current files.

Permanent records are **very important papers,** ones that should be kept safe in a safe deposit box or fireproof (and waterproof) storage container.

Every family's file folder labels will be different. Divide each area into categories that make sense to you. Publication *EC-510, "A Farm and Home Filing System for North Dakota Farm Families,"* may help you get organized. Feel free to add to or change your file labels to better meet your family's changing needs.

A good recordkeeping system will allow someone who is unfamiliar with the system to locate important documents, maintain records and prepare reports in case of an emergency.

What Are Very Important Papers (VIPs)?

Very important papers include:

- Papers or records that prove ownership (such as real estate deeds, automobile titles and stock and bond certificates)
- Birth, marriage and death certificates
- Legal papers (such as divorce and property settlement papers)
- Contracts
- Household inventory
- Wills
- Advance directives, such as living wills or durable powers of attorney for health care
- Anything else that would be expensive or difficult to replace

Where Should You Store VIPs?

A safe deposit box in a financial institution or a home fireproof safe is the best place for your family's VIPs. Papers that cannot be replaced or would be costly or troublesome to replace belong in this type of storage. In general, bank account registers, canceled checks, transcripts, medical histories, employment records, tax returns and insurance policies do not need to be kept in a safe deposit box or fireproof home storage.

How Long Should You Keep Tax Records?

The Internal Revenue Service (IRS) has a three-year statute of limitations on auditing a return. Keep all records of income or deduction expense for three years. However, if you use the income averaging option available to farmers, you may need to prove your taxable income for four base years.

If you failed to report more than 25 percent of your gross income, the government will have six years to collect the tax or start legal proceedings.

Filing a fraudulent return or failing to file a return eliminates any statute of limitations for an audit by the IRS. If you hire a tax specialist, check to see how many years you should keep your records.

Keep records that show the original cost or value of your property. Also keep a record of home improvement costs to reduce capital gains tax if your home, land or property ever is sold for more than its original cost or value.

All canceled checks are not needed to support tax deductions. Save only those checks that substantiate an income tax deduction, such as checks paying for medical/dental expenses or charitable contributions.

Putting a "T" for "tax" in the memo blank of a check when you write it might help you sort canceled checks faster. In cases where your only record is a duplicate check, you may need the monthly checking account statement to verify that the check went through.

Keep a copy of filed tax returns. **Should you need it, a prior tax return copy can be obtained from the IRS by calling (800) 829-1040.**

Taxpayers have two easy and convenient options for getting copies of their federal tax return information – tax return transcripts and tax account transcripts – by phone or mail.

A tax return transcript shows most line items from the tax return (Form 1040, 1040A or 1040EZ) as it originally was filed, including any accompanying forms and schedules. It does not reflect any changes you, your representative or the IRS made after the return was filed. In many cases, a return transcript will meet the requirements of lending institutions, such as those offering mortgages and student loans.

A tax account transcript shows any later adjustments either you or the IRS made after the tax return was filed. This transcript shows basic data, including marital status, type of return filed, adjusted gross income and taxable income.

Request transcripts by calling the IRS or ordering by mail using Form 4506-T, Request for Transcript of Tax Form. Specify the type of transcript you are requesting. The IRS does not charge a fee for transcripts, which are available for the current and three prior calendar years. Allow two weeks for delivery.

If you need a photocopy of a previously processed tax return and attachments, complete Form 4506, Request for Copy of Tax Form, and mail it to the IRS address listed on the form for your area. The IRS charges a fee of $57 for each tax period requested. Copies generally are available for the current and past six years. Allow 60 days to receive your copies.

What to Keep Where and for How Long?

Records are kept in four places: in a home filing system, in a safe deposit box or fireproof home storage, in the wallets and billfolds of household members and in each vehicle owned **(refer to the Guide for Family Records).**

Guide for Family Records

Item	Where	How Long
Personal and Family		
Birth, marriage and death certificates	Safe deposit box or fireproof home storage	Permanently
Adoption and custody papers	Safe deposit box or fireproof home storage	Permanently
Citizenship papers	Safe deposit box or fireproof home storage	Permanently
Divorce and separation papers	Safe deposit box or fireproof home storage	Permanently
Settlement agreements	Safe deposit box or fireproof home storage	Permanently
Military papers	Safe deposit box or fireproof home storage	Permanently
Will	Signed original with probate division of circuit court or safe deposit box (if jointly rented); copy in home file	As long as in effect
Advance directive (living will/durable power of attorney for health care)	Home file, safe deposit box and copies with agents and family members	Permanently (update as needed)
Passports	Home storage or safe deposit box	Until replaced
Social Security card	Original in safe deposit box; copy in home storage	Permanently
Diplomas, transcripts	Home storage or safe deposit box	Permanently
Medical history	Home file	Permanently (update as needed)
Employment records	Home file	Permanently
Inventory of valuable papers and advisers	Home file; copy with trusted family member or friend	Permanently (update at least annually)

continued

Guide for Family Records

Item	Where	How Long
Property		
Real property deeds, title papers, abstracts, mortgage and other lien documents (include rental property)	Safe deposit box	Duration of ownership or longer if needed for tax purposes
Burial lot deed	Safe deposit box	Duration of ownership
Tax assessment notices, purchase contracts, records of capital improvements (include rental property)	Safe deposit box	Duration of ownership or longer if needed for tax purposes
Motor vehicle titles, purchase receipts and licenses	Safe deposit box	Duration of ownership
Records of auto service/repair	Home file	Duration of ownership
Jewelry and other valuable items	Safe deposit box if safety of family may be threatened if kept in home	Duration of ownership
Inventory of household goods and appraisals (include rental property)	Safe deposit box; copy in home file	Permanent (update at least annually)
Financial		
Stocks, bonds and other securities	Safe deposit box; listing in home file	Duration of ownership or longer if needed for tax purposes (usually up to six years)
Bank accounts, account registers and statements	Home file	Duration of ownership or longer if needed for tax purposes (usually up to six years)
Canceled checks	Home file for nontax deductible expenditures	Three years minimum
Savings certificates	Safe deposit box; listing in home file	Duration of ownership or longer if needed for tax purposes (usually six years)
List of credit cards, credit contracts, agreements, records of credit payments and account statements	Home file	Duration of account or obligation or longer if needed for tax purposes (usually six years)
Insurance policies and records of claims made and paid	Home file; list of policies in safe deposit box	Permanently (update as needed)
Copies of past tax returns	Home file	Six years minimum
Receipts and records of deductible expenses, including home improvement expenses, income and tax payments	Home file (current); fireproof home storage after filing of taxes	Six years minimum; life of property for improvements

For more information on this and other topics, see: www.ag.ndsu.edu

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