

Get Organized

Want to make your life easier for next year's tax season and be ready for retirement, too? Start by buying a fireproof, waterproof file cabinet (with at least two drawers and a lock) and putting it in a handy spot. Then set up a simple filing system like the one described below. You'll have key papers at your fingertips. And as retirement day approaches, having important documents—your employer's plan and IRA statements and W-2 forms, for instance, could provide back-up for ensuring that you pay the lowest tax bill for retirement savings withdrawals and get your fair share of Social Security retirement benefits.

ACTIVE FILE. Keep your tax returns and back-up documents for the last three years. (After three years, transfer your tax returns, W-2 forms, and retirement savings plan and IRA statements to your inactive file.) For the current year, keep your pay stubs; bank, credit card, loan, and nonretirement investment statements; canceled checks; and records of business expenses and health benefit statements. You may want to keep insurance and annuity policies and a copy of your will in this file, too.

INACTIVE FILE. Besides your tax returns, back-up documents, W-2 forms, and savings plan and IRA statements that are at least four years old, you may want to file copies of Social Security cards; securities purchase confirmations; vehicle titles; marriage, birth and death certificates; and all documents related to the purchase and improvement of your home (including invoices and canceled checks). Originals of these documents belong in a safe-deposit box at the bank.

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