



Financial records: what to keep

If the IRS came calling, could you easily put your fingers on the important records that will back up your tax return? There are many reasons to keep records. In addition to tax issues, you may need to keep records for insurance purposes or to secure a loan. Good records will help you identify sources of income, keep track of expenses, prepare your taxes, support your tax return and keep track of the “basis” of your property (the actual cost of your home and any improvements). Keep the following:

COPIES OF TAX RETURNS

Keep these for six years. They can help you prepare future returns and you will need them if you file an amended return.

YEAR-END MUTUAL FUND AND BROKERAGE STATEMENTS

Keep the year-end versions for at least three years after the due date of your tax return. If you are self-employed, you should keep all records at least six years. That’s how long the IRS has to conduct an audit.

CANCELLED CHECKS AND OLD RECEIPTS

Keep these for three years after the date of your return. But if you’re self-employed, keep your receipts for at least six years.

RECEIPTS FOR MAJOR HOME IMPROVEMENTS

Hang on to receipts for major home

improvements until the property is sold – they might be needed in order to show the actual cost of the home in some tax situations. They may also come in handy if you want to show potential buyers how much you’ve spent to upgrade the property.

BANK RECORDS

Go through your checks each year. Set aside and retain those related to taxes, business expenses, home improvements and your mortgage. You should keep all bank records for at least one year.

LOAN DOCUMENTS

When a loan is paid off you can shred the documents after you receive the official title or deed.

RECEIPTS FOR BIG TICKET ITEMS

Receipts for jewelry, rugs, appliances, antiques, cars, collectibles, furniture, computers and other expensive items should be kept in an insurance file for proof of their value in the event of loss or damage.

FILE FOREVER

In general, plan to hold onto retirement related documents such as IRA contribution records indefinitely to prove that you already paid tax on this money when the time comes to withdraw. Keep stock and fund purchase records and life insurance policy documents for as long as you hold the investment or policy and never throw away defined benefit

Protect your personal information during tax time

Identify theft is increasingly common, and tax season provides ample opportunity for predators. Knowing the difference between official communications from the IRS and scammers is important to your financial security. For example, don’t be confused by internet sites that end in .com, .net, .org or other designations instead of .gov. The official IRS governmental website is www.irs.gov.

The IRS does not discuss tax account matters with taxpayers by email. Here are some clues to know if you’re being targeted by a scammer:

- ▶ Beware of email messages that request detailed personal and/or financial information.
- ▶ Don’t take the bait on messages such as those mentioning a tax refund or offering to pay you to participate in a survey.
- ▶ Don’t respond to email messages that threaten a consequence for not responding, such as additional taxes or blocking access to funds.
- ▶ Be on the lookout for messages concluding with “Regards” or “Sincerely” that appear to originate from the Internal Revenue Service.
- ▶ Don’t click on links in email messages. To access the site, type www.irs.gov into your Internet address window directly.

plan documents and estate planning documents, including powers of attorney, trust agreements and your will.

Need help with your 2011 tax filing? Call me to schedule an appointment.

Creating Financial Resolutions for the New Year

Winter is the perfect time to make financial resolutions for 2012. According to a survey by Fidelity Investments, most people are likely to say they want to save more and spend less. If the recession is grinding on a little longer than you thought or you're ready to change the way you look at your money, it's time to create a plan to go beyond the basics.

CREATE A BETTER BUDGET

How have your goals changed over the last 12 months? Divide them into two categories: long-term and short-term, and don't be afraid to get specific. Make a list of your expenses, deduct from your income, and you'll see where you stand in black and white. You may need to trim some expenses to be sure you have enough to live within your means and still contribute towards your goals.

SET MONEY ASIDE

Create an emergency fund by setting aside three to six months of living expenses for when you need it most. If homeownership is one of your long-term goals, start saving. Depending on real estate prices in your area, you need to be prepared to make a

down payment of 10 to 20%. If you can make a 20% down payment, you avoid having to pay private mortgage insurance, so there's an incentive to reach that level.

DON'T FORGET ABOUT RETIREMENT

If you don't have one already, open an individual retirement account (IRA) – I can help you decide whether a traditional IRA or a Roth IRA is best for you. And be sure to keep contributing to your 401(k) if your employer offers to match your contributions.

BE AWARE AND GET SMART

Keep your credit history clean, pay attention to your credit reports and know when something changes. Make it a resolution to check your credit reports at the beginning of each year. Keep a close eye on your bank account and credit card statements so you know when something is amiss. Educate yourself about your financial situation and different investment options. Take a class, read books or magazines or talk to others. Know enough to take an active role in your finances. And if you have concerns or want guidance, call me.



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