

Ep69: What Documents Should I Keep on File?

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PATTI BRENNAN: Hi, everybody. Welcome to “The Patti Brennan Show.” Whether you have \$20 or \$20 million, this show is for those of you who want to protect, grow, and use your assets to live your very best lives. We’re going to continue with this “Ask Patti Brennan” series.

Let me tell you, if there’s one question I get over and over again is, “How long should I keep my tax returns? What documents should I keep on file?” As boring as it might seem, I’m going to try and make it not so boring. We’re going to cover those things because they are important.

First, when it comes to taxes, how long should you keep your tax returns? Here’s the deal. There are three timeframes I want you to remember – three years, seven years, and forever.

Three years, keep your tax returns for three years. Depending on the state that you live in, you may need to keep them a little bit longer, but three years should do it. If you ever showed a loss for a security, a business, or what have you, you should probably keep all of those records for seven years.

Finally, if you ever filed a gift tax return which is Form 709 you got to keep that forever because that’s not going to be questioned – no offense – until you die. That’s when an estate gets audited, and when it gets audited, the gift tax returns are brought back in to do the calculations. By keeping the 709, your executor can prove in fact that you filed in a timely manner.

What else? What about your healthcare documents? Obviously, if you write off medical expenses, that’s probably in that same three year category. If you’re on Medicare, every year you get this statement. That is a Medicare summary notice. Keep that for a year. After that, you’re probably good. You can throw those away.

If you are receiving employer paid coverage or if you’ve retired and you’re Medicare eligible, but you decided to stay on your group medical insurance, you’re going to need to keep the notice. You’ll get a notice every year of creditable coverage.



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Guys, that's important to hold on to because there may be a time when you need to get the supplemental, especially Part D, and you have to have that creditable coverage to avoid the penalties. The penalties are not pretty, so hold on to those forms.

How about legal documents? The basic things, for example, your marriage certificate got to keep the original, right? We've got this new driver's license rule called REAL ID. You need your original Social Security card. We have to have that taken care of by October of this year. To get your REAL ID, you need your original Social Security cards.

Legal documents, obviously, you want to keep them forever. Here is the key when it comes to your wills, your trust, and your powers of attorney. Who's got the originals? That's important because you have to have the originals when you're settling an estate. Originals meaning original signature.

We have a client who had a trust. It was a trust that she established in her lifetime. Her attorney was holding on to it. Guess what, the attorney died. His records, gone. She does not have the original trust document.

It is a major pain in the neck in the state where she lives to fix that issue but far better for her to fix it while she's still alive waiting until she passes. It's a nightmare. You don't want to have to have that happen. I would say also when it relates to this stuff, worst comes to worst, scan the stuff.

For us, we have a wealth management system that includes a digital portal and a vault. It's a digital vault. You can scan all that stuff into the digital vault. It's fully encrypted. At least, you have copies of this stuff – copies of the insurance policies, pictures of the house, and the contents of your house – in a digital vault.

That way if you have an insurance claim, you can prove that in fact you did have that jewelry or that furniture.

In terms of investments, very important. If you made investments before 2012, it is important for you to keep the records of how much you originally paid for that investment because that was before a new law was passed. Not so new anymore, but it was a new law at the time. You are responsible to keep track of your cost basis.

Cost basis is really key because if you're not keeping track of it, chances are you're overpaying when you sell them.

In terms of retirement accounts, especially with COVID, if you got a COVID related distribution, you want to keep that 1099 R and keep that record because you're not having to pay the 10 percent penalty on it. Same thing with Roth conversions and also key as it relates to the taxes.



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If you ever did nondeductible IRA contributions, I hope – put it this way – that you file Form 8606. That’s a form that acknowledges that you’re not taking a tax deduction for the contribution, but the earnings are growing tax deferred.

Sidebar, guys. You never want to co mingle an after tax IRA with your other retirement accounts because the majority of that money, you’ve already paid taxes on that. You don’t want to pay taxes twice on the same money. The Form 8606 proves it, so keep those. Scan them. Keep them.

As it relates to property, cars, things of that nature, your deeds, your titles, all that kind of stuff, just scan that stuff into your digital vault so that you can retain copies of it and retain that proof. Same thing with the insurance policies, just scan that stuff. At least it allows somebody.

If God forbid that you’re sick, you’re unable to act on your own behalf, it allows somebody else who was acting for you. It gives them a trigger and say, “Gee, does mom still have this policy?”

It’s a phone call to the insurance company. But if you don’t have a record of it, if you don’t have it scanned, nobody’s going to even know it exists. Really, really important. Think about your home and the contents of your home and also think about the improvements that you’ve made to the house.

Under current law, each of us gets a \$250,000 exclusion on the gain of our home. While real estate going bonkers, especially right now, chances are the gain on your home make see that. You want to retain proof of the improvements because that gets added to your original cost. By doing that, you’ve got proof and you’re reducing your tax liability if you ever decide to sell it, downsize, etc.

If you have property in different states, especially in the year of transition, states are getting aggressive, especially people who were wanting to move down to states like Florida where there is no income tax and there is no inheritance tax.

States like Pennsylvania, New York, New Jersey are like, “Hey, wait a minute. Are you really living down there, or is this a second home?” Very important, keep records. You’ve got to stay there 51 percent in order to clean that and avoid all those taxes.

You got to think like an auditor, think like somebody who is trying to get something from your income or from your estate. By doing so, you’re protecting the money and what you’ve worked so hard for.

Speaking of keeping things on file, how about your digital assets? What do I mean by digital assets? Think about all your pictures on Google Photos or on Facebook. Those are



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assets, and they're password protected. How is anybody going to even know that they exist? This is your life. This is your history. You want somebody to be able to get into those.

Believe me, the stories that we've heard about family members trying to get into Facebook accounts, forget about it. What you want to do with those is assign something called a legacy contact. Go into Facebook, put it on your private profile, name a person, and then they're allowed to get all of what you've posted and all of your pictures from Facebook.

Same thing goes with Google. On Google Photos, you just go, and in that it's called an Inactive Account Manager. Again, name that person, they're in. Everything that you have on those sites is protected and somebody can access it, and your legacy and your memories live on forever. I think it's so important.

We also think about passwords. Let's take an example. Let's suppose somebody has a stroke along with the physical issues that that person might have. Short term memory could be lost. If there are passwords, for example, there is a password to even get into a computer. Everything's in the computer. Where is that password stored?

There are password programs and things of that nature. One, for example, would be LastPass or Dashlane. They're wonderful because you don't have to remember all the different passwords, but somebody needs to know the password for that. Keep that in mind.

I even think about our phones. Our phones have passwords, and now we have facial recognition. I think about my mom, when my mom died true story we all took a lock from her hair as a memory for her. Now these phones have this facial recognition.

I don't know if it's possible, but could you to take a phone and put it up to a dead person and have it unlock the phone? Wouldn't that be wild? No, we are not going to try it, guys, but it is an idea. Remember, everything's on our phones. We got to figure that out.

Finger prints. I guess you could probably think of fingerprint. I know this is morbid and I don't mean to make light of it. The fact that better is we live on our phones and everything is there. Digital assets, phones, Google, Facebook, etc.

Last thing as it relates to the Internet and all of that, it seems like a long time ago. 2015 is a long time ago, but that was the year of the Experian breach. We all forget about that, but 24 million Americans have their Social Security numbers now on the dark web.

Let me tell you something, guys. The cyber criminals know that we've all let our hair down. We all forget that that happened, but those Social Security numbers are still there.



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Be really careful and think about the credit monitoring services that are out there. I got to tell you, people can take your Social Security number, look at your Facebook, figure out your kids' names and all of that to get in there, and then start applying for mortgages and credit cards.

I will tell you when that happened, first thing that I did was sign up for LifeLock. We have a million dollars' worth of insurance that in the event that our identity is stolen that we're covered. It's a real pain in the neck, guys. But boy, it's worth every penny. Be careful.

Same thing with emails. We get email hacks every other week. Understand that that's out there and protect yourselves. Those are a couple of the ideas, again, not all encompassing. Hopefully, that'll help you come up with a checklist of things. By the way, speaking of which, don't forget the old fashioned stuff.

The reason that we get calls is because somebody put my name on their refrigerator. Old fashioned list of contact people still work today.

That will wrap it up in terms of some of the things that you might want to keep on file, whether it'd be at home or in a filing cabinet. In the meantime, thank you so much for tuning in. I hope this was helpful. Take care, and have a great day.



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