

Record Retention: Keep It or Toss It?

By: Deanna Salo & Roger Reitz

As we welcome the New Year, why not add record retention to your New Year's resolutions list. Make this the year you organize your business and/or personal files. Important information can be left on documents you may discard, such as name, birth date, address and social security numbers. Any confidential or personal items you plan to toss should be SHREDDED. The following are some 'general' record retention guidelines to help you through your piles of papers. The IRS requires every taxpayer to keep adequate records and make them available upon request. If you fail to keep adequate records, the IRS may disallow deductions and assess a penalty.

Organization is Key

First, take a records inventory and place items in broad categories (for example: operations, accounting, tax, and legal). Each year, apply documents in the categories consistently. An equally important task is accessing archived documents. Time will be saved if you take the time now to index and archive documents. You don't want to have to guess which of the 10 boxes has the one document you are looking for. We all know it will be in the last box you look in. Finally, shred the documents that exceed your retention policy.

The following general guidelines can help you develop your own retention timeline policy.

For Your Business

Keep indefinitely:

- Annual financial statements
- Incorporation
- Bylaws
- Minutes
- Stock records
- Licenses/patents/trademarks
- Chart of accounts
- General ledger and year end trial balance
- Legal records
- Tax returns (recommended at least seven years)
- Deeds, mortgages, bill of sale, titles
- Depreciation schedules

Keep seven years:

- Bank statement and reconciliations
- Cancelled checks (keep indefinitely for tax payments, purchase of property, special contracts, etc.)

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- Accounts payable and receivable ledgers and schedules
- Sales records
- Subsidiary ledgers

Keep three years:

- Employee personnel records after termination
- Time cards for hourly employees
- General correspondence
- Petty cash vouchers

Keep one year:

- Receiving sheets
- Stockroom withdrawal forms
- Duplicate deposit slips

For Yourself

Keep indefinitely:

- Marriage certificates, death certificates, divorce papers, etc.
- Deeds, mortgages, titles, property appraisals
- Personal health records
- Legal records
- Tax returns and support (recommended at least 7 years)
- Big ticket items (i.e. jewelry, appliances, furniture, automobiles) – keep in an insurance folder for proof of their value in case of loss or damage
- Retirement and Savings Plans (keep annual summary/toss quarterlies if match up to annual)

Keep ten years:

- Home repair bills and contracts (for warranties/guarantees)
- Home insurance policies

Keep three years:

- Medical bills (in case of insurance disputes)

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Other Items

- ATM and deposit slip (keep until reconciled on your bank statement)
- Credit card receipts (keep until reconciled on your credit card statement)
- Pay stubs (Keep until reconciled with your W-2)
- Car records (keep until car sold)
- Brokerage statements (keep until you sell the security)
- Insurance policies (keep for life of policy)
- Warranties and instructions (keep for life of product)
- Utility bills (keep 3 months unless you can't write off)
- Property records/builder contracts/improvement receipts (keep until property sold)

If you need additional help deciding which records to keep and which to toss, give us a call at (630) 953-4900. If you have additional questions about the types of services we can provide, please contact Deanna Salo or Roger Reitz. We are here to assist the FBC in any way we can.

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