

When Can I Throw Documents Out?

Keeping and storing financial records is costly. It costs in office supplies such as boxes, folders, and filing cabinets to organize the records. It costs in rental expenses for the extra room the files take up. It costs in labor to develop and maintain the record retention policies and locate old files when necessary. But throwing files away too early can be costly too. Some files might be needed by various agencies or for legal reasons.

Here are some guidelines on how long records should be maintained. Please note that these notes are not intended to replace legal advice. You should always consult a professional before throwing anything away or finalizing your own policy for retaining records.

Agencies Requiring Retention

The IRS is not the only agency that might ask for your documents from prior years. Other agencies that may need records include the Federal Trade Commission, National Labor Relations Board, the Equal Employment Opportunity Commission, the Occupational Safety and Health Administration, the Securities and Exchange Commission, and many more on a national, state, or local level. You may see other records retention lists documenting varying lengths of time due to requirements in different states and reflecting different agencies.

Developing a Records Retention Policy

Your company should have a records retention policy that employees can follow when handling their email, customer and vendor files, and other business documents. It can consist of an Excel worksheet that has columns for the document description, a trigger event that signals the start of the retention period, such as disposal date, transaction date, or termination date, and the retention period. The retention period should be determined by the agency with the longest requirement. As an example, non-hired job applications should be kept one year after the position is filled. The date that the position is filled is the trigger date.

Communicate your retention policy to every employee and subcontractor that will be handling records on your firm's behalf. A records retention manager should be appointed who can periodically audit the firm's policy compliance and make recommendations.

Digitizing Records

Some of the traditional records costs can be mitigated if the agency requiring access to the records can accept digital copies. Check with your attorney and the related agencies to see if this option applies to you.

Deciding how long to retain records is a balancing act between legal responsibilities and the costs of retention. For some small firms with low record volume and cheap storage costs, it may pay to err on the conservative side. Always check with your attorney before you throw any business records away.

Basic Retention List

Following are some broad guidelines on retention periods. Make a list of each agency's requirements in your country, state, city, county, and industry to create your own retention list.

List of Records and How Long to Hold Them

ITEM	Permanently (P) or Years
Legal	
<i>Entity Organizational Documents</i>	P
Articles of Incorporation	P
Bylaws	P
Partnership Agreements	P
Organizational Records	P
Stock Certificates	P
Board of Directors Minutes	P
Shareholders Meeting Minutes	P
<i>Legal Contracts</i>	P
Legal Contracts and Correspondence (including Patents, Trademarks, and Copyright Filings)	P
Engagement Letters	P
Labor Contracts	P
Property Records: Deeds, Mortgages, Loans, and Bills of Sales on Major Assets	P
Finance and Tax	
<i>General</i>	
Annual Financial Statements	P
Asset Ledgers and Depreciation Schedules	P
Audit Reports	P
Cancelled checks on major asset purchases & contract acquisitions	P
Charts of Account	P
General Ledgers	P
Retirement Plan Documents	P
<i>Bank Statements and Reconciliations</i>	7
<i>Cancelled Checks (except for major purchases)</i>	7
<i>Ledgers</i>	
Check Ledgers	7
Subsidiary Ledgers (Except Asset Ledgers), A/R, A/P, etc.	7
<i>Tax Records</i>	
IRS Letters	P
Income Tax Returns	P
Payroll Tax Returns and W-2s	P
<i>Transaction Documents</i>	
Inventory Records (trigger is disposal, not purchase) (less for purchase orders)	7
Customer Invoices	7
Vendor Invoices	7
Sales Records	7

(Following: Periods on Employee Records and Routine Correspondence.)

ITEM	Permanently (P) or Years
Employee Records	
<i>Employee Accident Documents and Logs (after settlement)</i>	11
<i>Employee Medical Records related to exposure of toxic substances or required by OSHA</i>	P
Insurance Records	P
Policies	P
Claims and related correspondence	P
<i>Employee Procedures Manual</i>	11
<i>Job Descriptions</i>	11
<i>Non-Hired Job Applications</i>	1
<i>Personnel Files (after termination)</i>	7
Time Cards (some sources say four years)	7
Reimbursement Vouchers	7
Payroll Checks (some lists say eight years)	7
Workers Compensation Documents	11
Other	
Routine Correspondence, including Email (some sources say one or two years)	4

Note: The above guidelines are based on general rules of thumb but are not meant to take the place of solid legal advice on legal documents or the guidance of your accounting, tax, or bookkeeping professional on financial records. You should always consult a professional before throwing anything away or developing your own policy for retaining records.