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What is a Records Retention Program?

A record retention program provides for the systematic review, retention and destruction of documents received or created in the course of business. A records retention program will identify documents that need to be maintained and contain guidelines for how long certain documents should be kept and how they should be destroyed.

Why Create a Records Retention Program?

A record retention program is important for many reasons. A record retention program can protect you in litigation and help ensure compliance with federal and state laws and regulations. Evidence of a clear and consistently enforced records retention program, enacted for valid purposes, will go a long way to convince the court that the destruction of a document was reasonable.

While it is important to clear out clutter, tossing the wrong paper or deleting an important e-mail can also have bad consequences. Not having a document can mean the difference between winning and losing in a lawsuit. If a litigant requests a document that you cannot provide because it has been destroyed, then a judge or jury may be permitted to conclude that the document contained information detrimental to your position.

What concerns should be weighed?

How long to keep a document, when and how to store the document, and how to dispose of the document, will depend on the type of document. The four principles to balance when creating a records retention program are:

- 1.) Is there a legal requirement for keeping the document? These include federal, state and local reporting concerning.
- 2.) After the document is past its useful life, what other purpose could it serve? Could it be used to support or oppose a position in an investigation or litigation?
- 3.) What is the consequence of not being able to locate the document? If the item was mentioned in a lawsuit, then suddenly destroyed, the presumption will be that the destruction was accomplished.

4.) Can the item be reliably reproduced elsewhere if needed? Is the information available from the public library, an online source, a database, or company central files?

How do I implement a records retention program?

Once you have created your records retention program you need to communicate it with everyone in your company. The consequences of even one employee not following your program can be the difference between winning or losing a lawsuit or being in violation of privacy laws. Place the guidelines in your employee handbook and cover it every year with any changes.

To get you started, here are some basic guidelines for the length to maintain your records. Laws vary by state, so you should have your attorney review your program once it is completed.

Guide for Businesses

Account Records	Retention Period
Accounts payable	7 yrs
Accounts receivable	7 yrs
Audit reports	Permanent
Chart of accounts	Permanent
Depreciation schedules	Permanent
Expense records	7 yrs
Financial statements (annual)	Permanent
Fixed asset purchases	Permanent
General Ledger	Permanent
Inventory records	7 yrs
Loan payment schedules	7 yrs
Purchase orders (1 copy)	7 yrs
Sales records	7 yrs
Tax returns	Permanent
Bank Records	
Bank reconciliations	2 yrs
Bank statements	7 yrs
Cancelled checks	7 yrs
Electronic payment records	7 yrs

Corporate Records

Board minutes	Permanent
Bylaws	Permanent
Business licenses	Permanent
Contracts-major	Permanent
Contracts-minor	Life + 4 yrs
Insurance policies	Life + 3 yrs
Leases/mortgages	Permanent
Patents/trademarks	Permanent
Shareholder records	Permanent
Stock registers	Permanent
Stock transactions	Permanent

Employee Records

Benefit plans	Permanent
Employee files (ex-employees)	7 yrs
Employment applications	3 yrs
Employment taxes	7 yrs
Payroll records	7 yrs
Pension/profit sharing plans	Permanent

Real Property Records

Construction records	Permanent
Leasehold improvements	Permanent
Lease payment records	Life + 4 yrs
Real estate purchases	Permanent