

The Foresight Companies, LLC

Accounting News



What Foresight Accounting Has Been Working On, Doing and Learning This Month

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Don't buy another file cabinet... Shred that paper!!

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I had a client picking up their taxes for filing and I prepared a copy for his records stamped "copy". He looked at me and said, "Shred it, and send me a PDF".

As an accountant for more than 30 years, I'm genetically predisposed to worship records, not destroy them. Defiling paper as precious as a tax return? Ridiculous.

I'm getting used to the idea and you should too. We all have too many piles/boxes/shelves full of paper, which today could be scanned and stored digitally.

Step 1: Know what to stow and what to throw

Documents to keep 1 year:

- Correspondence with customers and vendors
- Copies of deposit slips
- Purchase orders and receiving documents
- Quarterly/monthly pension contribution reports (shred once annual statement arrives)
- Quarterly statements mutual fund and IRA contributions (shred once annual statement arrives)

Documents to keep 3 years:

- Bank Statements & Reconciliations
- Employee Personnel files after termination
- Employment applications
- Expired insurance policies
- Time cards for hourly employees
- Credit Card statements
- Medical Bills
- Utility Records

Documents to keep 6 years:

- Accident Reports/Claims
- Accounts Payable & Receivable records

- Canceled checks
- Employment Tax Reports (copies W2's, 1099's and all payroll related taxes)
- Expired contracts and leases
- Inventory records
- Invoices to customers
- Supporting documentation for tax returns
- Property records improvement receipts
- Wage garnishments

Documents to keep forever:

- Audit reports from Accountants
- Canceled checks for taxes
- Contracts/leases in effect
- Corporate documents (incorporation, charter, by laws, organization)
- Minutes, books of directors & shareholders
- Deeds
- Documents substantiating fixed assets & depreciation schedules
- Year-end financial statements
- Corporate & personal taxes and worksheets
- Mortgages
- Property records and appraisals
- Trademark & patent records
- Retirement and pension records
- Legal records

Step 2: Toss out what you're keeping:

Shred what you are not keeping. If you scan and store digitally you can shred the items mentioned above as long as you keep track of the digital record. Set up folders by category and year (i.e. Taxes 2013, Legal 2013).

Step 3: Don't go forward without backing up

If you are storing digitally make sure you are doing regular and consistent backups and storing the records off premises. Today, with cloud services, you can store on the Internet at a minimal cost.