



Financial Document Retention Policy

Purpose

The purpose of this policy is to provide guidance on how long financial documents should be retained and the proper methods for storage and disposal. Proper document retention helps ensure compliance with tax laws, supports audit readiness, and protects sensitive information.

Scope

This policy applies to all financial records, including accounting records, tax filings, bank statements, invoices, receipts, payroll records, and any other documents related to the financial operations of the business.

Retention Periods

Document Type	Retention Period	Notes
Tax returns and supporting documentation (federal, state, local)	7 years	IRS generally recommends keeping records for at least 7 years in case of audits or claims of deductions.
Bank statements	3-7 years	Keep reconciled statements; digital copies are acceptable if backed up securely.
Accounts payable/receivable records	3-7 years	Includes invoices, purchase orders, and payment records.
Payroll records	7 years	Required to support tax filings and employee benefits documentation.

Document Type	Retention Period	Notes
General ledgers & journal entries	7 years	Essential for audit support and financial reporting.
Fixed asset records	3-7 years after disposal	Includes purchase receipts, depreciation schedules, and sale or disposal documentation.
Financial statements & annual reports	Permanently	Maintain historical records for reference and legal purposes.
Contracts and agreements with financial implications	7 years after expiration	Includes leases, vendor agreements, loan documents, and client contracts.

Tip: Digital copies are acceptable as long as they are secure, backed up, and easily retrievable.

Storage and Security

- **Physical documents:** Store in a locked cabinet or secure room. Limit access to authorized personnel.
- **Digital documents:** Store in encrypted, backed-up systems. Use secure passwords and restrict access to necessary staff.
- **Retention tracking:** Maintain a log or schedule to track the age of documents and plan for secure disposal.

Disposal

- **Physical documents:** Shred sensitive documents before disposal.
- **Digital documents:** Use secure deletion methods to permanently remove files from storage systems.
- **Legal considerations:** Do not destroy any documents subject to ongoing litigation, audit, or investigation.

Review

This policy should be reviewed annually and updated as necessary to comply with changes in laws, regulations, or business needs.