

# 5 Critical Records Every Business MUST Keep

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## The S3 Method for Simple, Sound, and Safe Recordkeeping

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Created by SafeSimpleSound Financial Planning *Financial Excellence • Educational Generosity*

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### Your S3 Recordkeeping Method

*Safe • Simple • Sound > Foundation-First Financial Wisdom*

#### What You'll Discover:

- How to create a **safe** and audit-proof recordkeeping system that supports every number on your tax return.
  - A **simple** framework that organizes your documents into five clear and manageable categories.
  - A **sound** methodology for tracking your business's financial health, giving you clarity and control.
  - The peace of mind that comes from knowing your financial records are complete, organized, and ready for any challenge.
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# The 5-Part S3 Recordkeeping System

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## Foundation: Why Good Records Matter

Everyone in business must keep records. Good records are the foundation that allows you to monitor the progress of your business, prepare financial statements, track deductible expenses, and prepare your tax returns. Think of this system not as a chore, but as the source of your business's financial intelligence.

## The Method: Your 5 Critical Record Categories

### Record #1: Gross Receipts (Proof of Income)

- **Why It's Critical (The Safe Principle):** Your records must identify the source of all money and property your business receives. This creates a safe, verifiable history of your income that can be used to prepare tax returns and support items reported on them.
- **What to Keep (The Simple System):** You should keep supporting documents that show the amounts and sources of your gross receipts. These include:
  - Cash register tapes
  - Bank deposit slips
  - Invoices
  - Credit card charge slips
  - Forms 1099-MISC and 1099-NEC
- **S3 Insight (Sound Wisdom):** A complete record of your income is the first half of your profit-and-loss statement. Without it, you cannot have a sound understanding of your business's performance.

### Record #2: Purchases & Inventory (Proof of Cost of Goods)

- **Why It's Critical (The Safe Principle):** If your business sells goods, records that document the cost of inventory are essential. These records help you determine the value of your inventory at the end of the year and are necessary to accurately calculate your business's profit.
- **What to Keep (The Simple System):** Your supporting documents should show the amount paid for any item you buy to resell to customers. These include:
  - Canceled checks
  - Cash register tape receipts

- Credit card sales slips
- Invoices
- **S3 Insight (Sound Wisdom):** Sound inventory management begins with sound recordkeeping. Accurately tracking these costs is the only way to know your true profit margin and prevents you from overpaying taxes on “phantom” profits.

## Record #3: Expenses (Proof of Operations)

- **Why It's Critical (The Safe Principle):** You might forget expenses when you prepare your tax return unless you record them when they occur. Your supporting documents prove that the amounts paid were for business expenses.
- **What to Keep (The Simple System):** Keep documents for the costs you incur to carry on your business (other than inventory). These include:
  - Canceled checks
  - Account statements
  - Credit card sales slips
  - Invoices
  - Petty cash slips for small cash payments
- **S3 Insight (Sound Wisdom):** Every dollar of proven expenses is a dollar that correctly reduces your taxable income. A sound expense tracking system is a direct investment in your bottom line and financial clarity.

## Record #4: Assets (Proof of Property)

- **Why It's Critical (The Safe Principle):** Assets are property you own and use in your business, such as machinery, furniture, buildings, and vehicles. You must keep records to figure the annual depreciation and to calculate the gain or loss when you sell the assets.
- **What to Keep (The Simple System):** Your records should show when and how you acquired the asset, its purchase price, cost of improvements, how you used it, any deductions taken (like section 179 or depreciation), and when and how you disposed of it. These include:
  - Purchase and sales invoices
  - Real estate closing statements
  - Canceled checks

- **S3 Insight (Sound Wisdom):** Your business assets are the tools that create value. A sound record of their financial lifecycle is essential for long-term tax strategy and capital planning.

## Record #5: Employment Taxes (Proof of Payroll)

- **Why It's Critical (The Safe Principle):** If you have employees, there are specific employment tax records you must keep. You must keep these records for at least four years after the tax becomes due or is paid, whichever is later.
- **What to Keep (The Simple System):** The IRS requires you to keep a variety of specific employment records. For a complete list, see IRS Publication 15.
- **S3 Insight (Sound Wisdom):** Your team is one of your greatest assets. A sound payroll record system ensures you are fulfilling your legal and ethical obligations to them, which is the foundation of a healthy, sustainable business culture.

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## Insights Summary

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*Key S3 Differentiator: This method organizes the chaos of receipts and invoices into a simple, five-part system that provides clarity, control, and a defensible financial history for your business.*

*Educational Generosity Promise: This framework is a universal business tool. Whether you are a solopreneur or a growing team, implementing this system provides immediate value by creating a clear picture of your financial operations.*

*Stakeholder Synthesis: A well-documented business serves everyone: it gives you (the owner) confidence, provides clear proof to the IRS, streamlines applications with banks or creditors, and ensures employees are paid correctly.*

## Your Next Steps

**Immediate Action (Next 7 days):** Create five folders—either physical or digital—labeled with the five categories above. Start placing all new business documents into the appropriate folder.

**Foundation Building** (Next 30 days): Choose a single system to be your “summary of business transactions,” like a business checkbook or accounting software. Begin entering your categorized documents into that system.

**Professional Support:** If you feel your recordkeeping is disorganized, a professional can help you set up a system that is simple to maintain and provides the sound data you need to make strategic decisions.

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## About SafeSimpleSound Financial Planning

**Our Promise:** We provide a constitutional approach to financial planning that helps business owners resolve contradictions and build integrated, confident financial lives.

**Educational Generosity Commitment:** We believe that empowering business owners with foundational knowledge is the best way to support our community’s economic health.

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**Our Philosophy:** [www.safesimplesound.com/philosophy](http://www.safesimplesound.com/philosophy)

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