
Business Banking Fact Sheet

Ways to Manage Your Money

Why is it beneficial to use a bank?

- If you keep your cash in a bank, your money is much safer from theft. Even if your debit card is stolen, your money can be protected as long as you contact your bank.
- Bank statements are a professional record of your transactions and can be useful for keeping records, doing your taxes, or obtaining financing in the future.
- By using checks or your debit card to pay your bills you have proof that your obligations are paid through your monthly bank statements.
- You can easily manage your business finances by accessing your account details on-line.

Why would I separate my personal and business checking accounts?

- It simplifies your record-keeping by separating your business and personal cash flow. It will be easy for you to identify and itemize business expenses as well as distinguish personal from business deposits, allowing you to have a better idea of what you are making and spending.
- It makes obtaining business expense deductions easier. Solely having a personal account makes it more difficult to prove to the government that your business is a business and not just a hobby when you file taxes.
- It increases the professional appearance of your business because you can issue checks with your business' name on it.
- Opening a business bank account early on can help you form the type of relationship with your banker that will help you access financing when your business grows.

What do I need to open a business bank account?

- A legal business name – your business must be registered
- Personal ID and Social Security Number
- Employer Identification number (EIN)

What should I consider when opening an account?

- Shop around – banks are regularly giving incentives to attract new customers.
- Convenience/Location – Think about the best place for your bank can be physically located given your work and time constraints.
- Ask what the minimum balance in your account must be.
- Make sure to ask what types of fees are involved and how much they are.
 - Monthly maintenance fee
 - Overdraft fees
 - Non-Bank ATM fee
 - Transaction fees
 - Cost of printing new checks

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- In considering bank fees, remember that they are partially tax deductible.
 - Ask if there are extras – e.g. on-line banking, payroll and tax services, merchant services and/or discounted employee banking.

How do I know which type of bank account is right for me?

- Pick a bank that has products tailored to working with small businesses – your needs are different from that of a large business and you can find a bank account that suits those needs.
- The best small business checking accounts will offer you a variety of features. E.g. payroll services, invoicing services, and merchant account services.
- Small Business checking accounts with merchant account services can help you grow your business through accepting credit card payments.
- Look for a small business checking account that is linked to a small business savings account – this way you can have all your business cash in one place.
- Make sure to get on-line banking features with your account – you are probably already working with vendors and customers on-line.
- Consider a credit union – they also offer business accounts and usually have lower fees. However, credit unions usually serve a specific community. Inquire what restrictions they have on membership before you apply.

What are merchant services?

Merchant services include all non-cash payment processing types (PayPal, Electronic Checks, Credit Card processing etc). It is proven that small businesses that accept credit cards sell more products and services. Setting up a merchant services account can help you increase revenue.

How do I set up a merchant services account?

- Establish your merchant services account through a bank, credit card processing service, or merchant services provider.
- Provide credentials for approval through the merchant services account department.
- Get the proper payment processing equipment:
 - Software or on-line service
 - Card swipe terminal and/or receipt printer.

What should I consider when opening a merchant services account?

- Prices vary across merchant services providers so be sure to negotiate the best terms.
- Make sure to inquire whether fraud protection services are available so that you may protect yourself from credit card fraud.
- If you are selling on-line you need to consider which to use:
 - Low cost batching – collecting credit card info and processing manually off-line
 - Real time processing – a higher cost is associated with this service

What is a business credit card?

A business credit card is a credit card in your business' name that allows you to make purchases for the business. It can be a useful tool since you can continue to



buy what you need if and when cash flow is tight. However, it can also negatively affect your business credit if you make purchases that you later cannot pay back.

What should I consider when obtaining a business credit card?

Just as when you apply for a personal credit card, you should consider:

- Interest rates
- Finance charges
- Annual Fees
- Rewards programs.

Information from "Guide to Small Business Banking for Start Ups" by Cherie L. Berkley, "Guide to Small Business Banking" by LaRita Heet, "Guide to Merchant Services" by Cindy Atoji and "Guide to Business Credit Cards" by Selena Chavis from www.business.com were used to create sections of this document. July 23, 2008.