



November 18, 2019

FEDERAL DEPOSIT INSURANCE CORPORATION  
**consumer news**



## Business Cents

As a small business owner, you may be juggling the expenses of running the day-to-day operations of your business, the costs of expanding your business, and the responsibilities to protect your employees and your customers with your financial choices. Knowing you have all of that on your mind, here is some helpful information about banking for your business.

### Deposit Accounts

*Separate personal and business accounts*  
Many banks offer business checking accounts and business credit cards. Keeping your business accounts separate from your personal accounts has some benefits:

**Protection** – Business banking offers limited personal liability protection by keeping your business funds separate from your personal funds. The separation makes it easier to authorize employees to handle day-to-day business banking tasks. The Internal Revenue Service also recommends that you have a business checking account

that is separate from your personal accounts because doing so can make recordkeeping for tax time easier. It may even be essential depending on your corporate structure.

**Receiving Payments** – Your business accounts can help you establish convenient ways for customers to pay you with credit cards or use checks made out to your business, instead of involving your personal finances.

In addition, many banks have a designated team focused on small business lending who can help you identify other useful bank products and services, such as lines of credit or term loan options.

*Find an account that best suits your business's needs*

Rates, fees, and options vary from bank to bank, so you should shop around to make sure you find the lowest fees and the best terms for your business. Before opening your business checking or savings accounts with a particular bank, make sure you gather information about its:

- Introductory offers
- Interest rates for savings and checking
- Interest rates for lines of credit
- Transaction fees
- Early termination fees
- Minimum account balance fees

*Know if your deposits are protected by FDIC deposit insurance*

Under FDIC rules, all deposits owned by a corporation, partnership or unincorporated entity (including a for-profit or a not-for-profit organization) at the same bank are added together and insured up to \$250,000, separately from the personal accounts of the owners or members. The deposits of a sole proprietorship — an unincorporated business owned by one individual using a business name — are insured together with any personal funds the owner may have at the same bank in the single-ownership insurance category, up to \$250,000 in total. If you need assistance with determining your insurance coverage, speak to an FDIC Deposit Insurance Specialist at 1-877-ASK FDIC (1-877-275-3342) or use our [Electronic Deposit Insurance Estimator \(EDIE\)](#), an interactive calculator.

### Getting Paid

As a small business owner, you'll need to decide how customers will pay you. Whether to accept credit card payments is an important decision to make. While this form of payment is convenient for customers, you may choose not to accept credit cards because of the fees and other costs. You may allow customers to pay using mobile apps. However, make sure you carefully read the fine print of any mobile app you're considering so that you are aware of any fees and limitations on funds availability.

In general, you'll want to comparison shop for a mobile app or debit and credit card processing service, since costs and other terms and conditions will vary. Visit the Federal Trade Commission website's "[Play Your Cards Right](#)" page.

### **Business Loans**

Small business owners usually need to borrow money to buy equipment, pay suppliers and employees, and otherwise finance their operations. To make sure you get a loan that fits your needs, there are some basics to consider.

#### *Understand the different types of financing*

For most small businesses, there are common ways to finance operations (not including investments or loans from family and friends):

Personal lines of credit – such as credit cards or home equity lines of credit are commonly used.

Business lines of credit – which provide a convenient way for a business to borrow up to a certain dollar amount and repay it in installments with interest over several years.

Business term loans – which establish a set dollar amount to be repaid in installments over three or more years, are commonly recommended for purposes such as financing the purchase of equipment or a vehicle. These loans often are secured by the asset that is purchased.

You may also want to ask your bank about loans offered by the U.S. Small Business Administration (SBA). For instance, the SBA microloan program provides loans

up to \$50,000 to help small businesses and certain not-for-profit childcare centers start up and expand.

#### *Improve your chances for loan approval*

**Create a Business Plan** – A lender will generally ask to review your business plan when you apply for a loan. Prepare a business plan that shows the lender your roadmap to help your business succeed. The SBA has a [free tool](#) to help you develop a basic business plan.

**Make Payments On-time** – Just as credit bureaus maintain a record on your personal credit history, several companies track how businesses handle their finances. Making on-time payments to suppliers is one good way to show reliability. Also ensure that your personal credit report is accurate because a lender will likely review it when your business applies for financing.

### **Be Prepared**

#### *Some Protections May Vary*

Your liability for unauthorized transactions on your personal credit and debit card accounts is generally capped by federal regulations — \$50 for credit cards and \$50 or more for debit cards (depending on when you notify the bank). While federal law doesn't protect business debit cards from liability for unauthorized transactions, your bank account agreement and state laws could limit your liability. If a credit card issuer provides 10 or more credit cards to a company for employee use, it may

require the business to assume *unlimited* liability for unauthorized transactions. If fewer than 10 credit cards are issued to the company, the \$50 limit will only apply to unauthorized use by someone other than an employee of the corporation. The bottom line: Notify your bank immediately of any problems because state laws, industry standards and your deposit agreements may provide protections.

#### *Beware of Frauds and Scams*

Scammers target small businesses knowing the owners are busy and focused on running the business. To protect your business, be aware of the scams and frauds out there. Examples include unauthorized withdrawals from a bank account as well as fraudulent offers and counterfeit bills. An auditor may be able to help you identify and minimize risks. To learn more, including how to create customized cybersecurity plans, go to [OnGuardOnline.gov](#). The Federal Trade Commission also offers [tips for small businesses](#).

For more small business resources, visit:

FDIC

<https://www.fdic.gov/consumers/consumer/moneysmart/business.html>

SBA

<https://www.sba.gov/>

U.S. Treasury Department

<https://home.treasury.gov/policy-issues/small-business-programs>

For more help or information, go to [www.fdic.gov](http://www.fdic.gov) or call the FDIC toll-free at **1-877-ASK-FDIC (1-877-275-3342)**. Please send your story ideas or comments to Consumer Affairs at [consumeraffairsmailbox@fdic.gov](mailto:consumeraffairsmailbox@fdic.gov)

