



5
REASONS

TO OPEN

**BUSINESS
CHECKING
ACCOUNT**



www.purposedbranding.com

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PASSION, PURPOSE, PROFIT

Hi, My name is Mary Hill and I am the CEO of **Purposed Branding**. I would like to personally thank you for downloading: *5 Reasons to Open A Business Checking Account*.

With over 15 years of Project Administration, Coordination and Management; I **help teach small business owners and entrepreneurs how to leverage their profitability with their passion and purpose.**

MY GOAL: to help my customers, clients, and followers become more knowledgeable of **PROFITABLE** small business processes. Please understand that without **PROCESS**, there is no **POLICY**, without Policy there is no **PROFIT**, and without Profit there is no **PURPOSE**.

So while getting to the "coin/bag/dollar" is a good thing, knowing how to leverage and to keep what is earned, will by far prove to be your greatest asset.

Introduction



This short E-Guide was created with the newly established small business owner and entrepreneur in mind. It is written to provide a basic understanding of the steps necessary to obtain a business checking account, and establish a credible business.

Why Cant I use PayPal?: While Paypal is an excellent resource and tool, it **SHOULD NOT** be your primary accounting resource. Paypal should be used in conjunction with a Business Checking Account/s. There will come a point in your business when you look towards expanding, possibly apply for a loan, or even update your business plan; and will require financial history. Paypal alone WILL NOT be enough to efficiently support your growing requests.

**NO NEW
FRIENDS**



"**PAYPAL** is a funnel to start relationships, while the the money in your checking account is the leverage needed to obtain and maintain them."- Mary H.

Let It Flow:

Q: Running a business takes CASHFLOW...right?
So, why do small business owners choose to neglect the monitoring and proper allocation of business and personal funds?

A: Listing a few common reasons below:

- 1- • **Knowledge (lack of)**- Not understanding that true benefits of proper business setup/organization.
- 2- • **Time**- Many owners are overwhelmed and while they may keep records, most of the time documents aren't organized efficiently.
- 3- • **Budget**- Failure to outsource to an accounting professional/bookkeeper (or any professional) due to budget limitations.
- 4- • **Fraud**- The idea that the less the IRS knows the better. To be quite frank, the better you know the IRS and how taxes work, the more profitable you really are.

Before U GO!

Determine the correct structure of your business

1. Establishing the legal structure for your business is by far one of the most important decisions you will make as a business owner. Whether Sole Proprietor, Corporation or forming an L.L.C. (highly recommended), the legal structure of your business will ideally determine: your risks, liabilities, and lastly how the IRS will tax your company.

2. Take the time to discuss your options with an Attorney, CPA, and Financial Advisor. DO NOT take this for granted. Avoiding to do so will cost you more in the long run. Invest in your company, as it takes money and knowledge to create more of both. You have to spend it to make it. Good resources and networks are priceless.

3. The best way to define yourself from personal and business debts is to form a limited liability company (LLC).

In most cases with an L.L.C., you will have an increased layer of legal protection due to the fact that your business assets are separate from your personal. Additionally to your benefit are business tax incentives.

Boundaries:

Q: What is more important than setting your business financial boundary?

A: It is your ability to maintain all the supporting paperwork and documents to support the separation.

From a strictly business standpoint, it's important to keep a papertrail. **The IRS requires that you keep personal transactions separate from business transactions.** They want to know how much money your business is actually bringing in. Even though the IRS doesn't require you to maintain separate bank accounts, but this is honestly the only way to maintain a clear audit trail.

If your business is incorporated or if you plan to incorporate at a future date, then it is required that you maintain separate bank accounts since the company as stated above is considered as a tax paying entity.

1. Audit Protection
2. Hobby VS. Business
3. Professionalism
4. Business Credit
5. Save Time/Money- Knowing Your Budget



Next Level:

1 / 2

Below are details on why opening a business checking account will increase your bottom line

1. Audit Protection

A separate business bank account makes things a whole lot easier if you have to respond to an IRS audit. Many items that you buy on a regular basis like office supplies and computer software are deductible on a business return but not on a personal return. For this reason, auditors look closely at small businesses with large business expenses. Separate bank accounts make it easier to prove which purchases are for you and which purchases are for the business.

2. Hobby VS. Business

Maintaining a separate business account helps the IRS understand that your work isn't just a hobby. This is especially important if your business has posted losses in recent years. Business owners can generally use business losses to offset personal income. There's plenty of opportunity for fraud so the IRS looks for separate business accounts and financial record-keeping. Reduce any questions about whether your business is really a business or a hobby.

Next Level:

3

Below are details on why opening a business checking account will increase your bottom line

3. Professionalism

Keeping your personal finances separate from your business INCREASES your branding, credibility and professional image. Using a personal bank account for receipts and payments concerns customers and frustrates vendors. Customers may question your level of commitment and professionalism if they're forced to make personal payments to you. Bookkeepers and accountants might get confused about what your invoice is for, which could delay your checks.

Having a separate bank account for your business gives your business a professional image. Who wants to pay a business invoice that has your company name on it with a check that says "Mike and Sandy Jones" on the check? . It's equally important when you are paying your taxes that those checks are written by a business entity. Be sure that all aspects of your business present a professional image

Next Level:

4

Below are details on why opening a business checking account will increase your bottom line

4. Business Credit

Another important reason to detach your personal and business finances is your business credit. The ability to obtain working capital for your business is vital to grow it, and business credit will be mandatory to secure larger business loans. Having your personal and business income blended together makes it more difficult to provide your business income to banking institutions, clearly making it more difficult to establish your business credit.

It is true, more often than not a business owner's personal credit will be reviewed to determine credit worthiness. Those with a strong credit score will typically have more borrowing power. OK, so having bad credit isn't a deal breaker but its definitely more costly (Who has \$\$\$ for that? No one!). In most cases, the borrower will be required to sign a guarantee in their personal name to secure the loan. However, this also means you are now personally liable and attached for any debt incurred by the business if it defaults.

Next Level:

4

Below are details on why opening a business checking account will increase your bottom line

4. Business Credit

Having a business credit card can be beneficial (travel rewards, discounts, cash back, fraud protection, returns, etc). You can also pay the balance directly from your business bank account/s, which will help to keep your books in order. Establishing business credit will be essential in your request for loans and working capital. Lenders will want to see your payment history and your credibility as a responsible business.

Using a business credit card with on time bill payments will help to increase your business credit score. Grant it, borrowing and lending requirements are strict for small businesses. Don't give up, try to get a business credit card or line of credit so that you can start building credit history (secured business credit cards are options or opening a small supplier trade account could help).



If you need to carry a balance on a business credit card, it's the only credit card interest that's deductible as a business expense.

Next Level:

5

Below are details on why opening a business checking account will increase your bottom line

5. Budget-

The importance of separating personal and business finances really comes down to saving time. Hiring an accountant will come with a cost, but having complete separation of finances equates into less billable hours, and saving you large amounts of cash in the process. Consider purchasing business accounting/management software, as this will provide an greater perspective in where and how your money is being spent. It is imperative to review financial data and determine cash flow trends and adjust accordingly.

Business accounting records should also be an indicator of how well your business is performing. But when your books are in fluxed with personal expenses too, it's hard to make sense of your cashflow. You should be able to get a strong understanding of your finances through consistent bank and budget reconciliation. However, you're creating more work for yourself if you have to first separate your business transactions from your personal ones.



F.Y.I.

ALL BANKS WANT YOUR BUSINESS!

This means you can usually negotiate some free or discounted services. You might consider going with the bank where you have your personal bank account for easy transfer of funds.

PURPOSED BRANDING

Choosing a Bank



What you will need

RESEARCH THE SERVICES THAT ARE OF INTEREST TO YOU

1. State Registration / Articles of Incorporation- Local S.O.S.
2. EIN Number)- issued by the IRS www.irs.gov .
3. Money- Most Banks require an opening deposit of \$100.00.
4. Operating Agreement- Not all banks require it, but its a must to have on file for litigation reasons.
5. Business License (not required by all banks).

Do your own research

RESEARCH THE SERVICES THAT ARE OF INTEREST TO YOU

Know what services you need before you talk to the bankers. Are you interested in their merchant account services so you can accept credit card payments? If you have—or plan to hire—employees, can they handle your payroll? Make it a point to go in and actually talk to someone. How helpful and knowledgeable are the staff? What are the bank's online and telephone customer support services like? Are you assigned your own point person who you can call with specific problems, or just given an 800 number? When the IRS wants to know why a certain tax form has not been filed, you need an answer from your bank quickly.

Choosing a Bank



Small Business is Big

INQUIRE ON MONTHLY FEES AND MINIMUM BALANCES

Understand their minimum balances and fee structures. Ask around and see where other business owners bank and why. These days, banks are trying to use a personal touch to keep customers loyal, so find a trustworthy bank representative who understands your business. Finally, if you run your business under a name other than your own, be sure to open the business bank account under the business' name, not your own.

Alternatives/Credit Unions

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Know Your Worth!



WHICH BANK IS RIGHT FOR YOU? A FEW OPTIONS TO REVIEW

1. **Wells Fargo.** Wells Fargo stands out by having a wide range of small business banking services and a BIG emphasis on small business lending. With 5 different types of small business loans and 4 different low-cost business checking accounts, you should be able to get the services you need all in one place.

2. **Chase.** Chase has a great deal of offers for small business owners. They have strong small business lending options and inexpensive checking accounts, but they are known best for their business credit card perks.

3. **Capital One.** Capital One is a bank that's fully devoted to small business owners. With relationship-based rates on small business loans, you might be able to find low-cost financing with this bank. Capital One is also a great bank for businesses that have a high number of monthly transactions and cash deposits— they offer unlimited transactions and a high number of cash deposits.

4. **Bank of America.** Bank of America offers a strong small business lending program and arguably the lowest-cost small business checking accounts—it has the most ways to waive monthly account fees.

5. **One United-** The largest African American Owned Bank in the U.S. and FDIC Insured. Understands the buying power of the urban community which is estimated at 1.2 trillion dollars. Now offering a credit rebuilding program through secured credit cards for credit challenged bankers.



LOVE. SUPPORT. REPEAT.

BANK BLACK

**LIBERTY BANK • ONEUNITED BANK • CITIZENS TRUST BANK • OMEGA PSI PHI CREDIT UNION
SEAWAY BANK • HILL DISTRICT CREDIT UNION • TRI-STATE BANK • THE HARBOR BANK
MECHANICS & FARMERS BANK • FIRST TUSKEGEE BANK • BROADWAY FEDERAL BANK
ALAMERICA BANK • ILLINOIS SERVICE FEDERAL • TOLEDO URBAN CREDIT UNION
CARVER FEDERAL SAVINGS BANK • NORTH MILWAUKEE STATE BANK • THE HARBOR BANK
CITY NATIONAL BANK FIRST INDEPENDENCE BANK • CREDIT UNION OF ATLANTA
UNITY NATIONAL BANK • COLUMBIA SAVINGS AND LOAN • FAMU FEDERAL CREDIT UNION
UNITED BANK OF PHILADELPHIA • PHI BETA SIGMA FEDERAL CREDIT UNION
CARVER STATE BANK • FIRST STATE BANK CITIZENS BANK
COMMONWEALTH NATIONAL BANK • SOUTH CAROLINA COMMUNITY BANK**