



What to look for in a business bank account

Learn about opening a business bank account.

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**Office of Early
Childhood and Out-
of-School Learning**

Setting up a business account isn't difficult and is the best first step to ensuring that you're clearly separating your personal and your business costs, and revenue. Once set up you will easily "see" what money is in your business versus your own pocket.

Getting a business bank account can be quite simple, you may want to use the bank that holds your personal accounts already. However, you may want to look for the best deal for your child care business. We recommend that, even if you like your current bank, to look at one or two others to be sure you are making the right choice.

Choosing a bank

In selecting a bank for your business account, first and foremost, relationships are important. You want to make sure that the bank will be responsive to your needs and your questions, and also provide you the opportunity to grow over time. Once you've established a relationship with your bank, this may allow you access to financial supports such as a business loan or a line of credit to support growing your business. So, be sure to evaluate if there are opportunities that the bank can grow with you.

Think about how the bank treats you from the moment you first walk in the door. Do they seem eager to talk? Does the employee appear to want your business? If the bank isn't excited to see you when you are a prospective customer, they are not very likely to be there when there's an issue and you need them the most.

If a bank appears friendly and welcoming, you should consider four other points:

1 Does the bank require you to deposit a certain amount of money in the account to open the account?

Understanding how much money may be tied up in the account is really important. If the bank requires you to keep a minimum balance, it will then be money that you cannot access easily if you have bills to pay or want to pay yourself.

2 Are there fees associated with the account? What are they?

Very often, banks will make a fair amount of money by having small fees that add up quickly, and you will need to factor them into your routine expenses.

3 How many checks can you write a month? How many deposits can you make?

Some banks will place limits on the number of checks, transactions, and deposits that can be made for each billing period. After you reach your thresholds, the bank will charge a fee for each transaction. Again, this is going to erode how much money you're making, so it's absolutely important that you know what the fees are and whether they fit the style of your business.

4 Will you need a debit or credit card for your business? Do you want to have access to debt for your business or the ability to use a credit card that is through your bank?

These are important services, and again, going to the earlier point, may also come with fees, so you want to look very closely at these.

Decision time

When you have considered two, three or four banks, pull your answers to all of the above together. If they don't pass the "relationship test" put them aside. With the remaining banks — what is the best deal? Think about how much money you are willing to have tied up (i.e., the minimum balance) and how high the fees will be per month, by estimating based on your current banking.

For example, Marta is looking at two banks, Bank A and Bank B. Bank A has a higher minimum deposit - \$500, but their fees are lower. Based on the number of checks Marta writes a month and that she doesn't need a debit card, the fees would only be \$5 a month. Bank B has higher fees, totaling \$8 a month, but no minimum deposit.

So which should Marta choose? It is hard to say. A lot depends on her personal needs and finances, but she does have the information to make an informed choice in the best interest of her family and business.