

We've all seen the memes, heard the jokes, and been warned by fellow freelancers — managing your business finances has its cons. Between chasing down payments, saving for taxes, and navigating the tax-filing process, it can get pretty chaotic keeping track of everything. If you're looking for ways to simplify your finances, you're in the right place.

If you haven't opened a business bank account yet, you may want to consider it. Business bank accounts can provide you with greater visibility when it comes to your overall finances, all while making tax season a heck of a lot simpler.

If you're curious about whether having a business bank account as a freelancer is necessary, here's what you should know.

What Is The Difference Between A Business And Personal Bank Account?

Just as their names imply, a business bank account is intended for business use, and a personal account is intended for personal use.

While similar in nature, a business bank account has a few additional benefits that personal bank accounts do not. They're designed to help you track your income and business expenses, while simplifying the tax filing process.

Do You Need A Business Bank Account As A Freelancer?

Legally, freelancers aren't required to open a business bank account. However, if your business is set up as a limited liability company (LLC), you *are* required to have a separate business bank account.

Even if you're not required to have two accounts, separating business and personal will make managing your finances much easier. Here's a few reasons why:

It helps you keep track of expenses more easily. We've all been there. You see a withdrawal in your bank account, and suddenly you're digging into the depths of your brain thinking, *"Hmm...was this Amazon transaction an unhinged, 4 AM I-deserve-this-random-item purchase, or was it those supplies I bought for this upcoming project?"*

Keeping your personal and business income separate will rid you of those, *"What was this purchase for?"* questions.

It helps you keep track of income growth more easily. It's much easier to visualize the growth of your freelance business when your income flows into one place. If other income is thrown into the mix, it can be challenging to remember what income is associated with which income stream.

It can help you better manage tax savings. As a freelancer, you're self-employed, which means there isn't an employer withholding tax from your income. As a result, it's on you to save a portion of your income to prepare for tax season.

You may find it easier to calculate and store your tax savings in the same account your freelance income flows into, as opposed to transferring it out of your personal account to store elsewhere.

It makes tax season easier. I don't know about you, but whatever I need to do to make tax season as a freelancer easier...I'm there.

When it comes time to report your freelance income, it can be challenging to verify it if it's mixed in with personal income. The same goes for expenses.

For example, if you wanted to claim \$10,000 in business expenses, it'd be easy to pull expense records from your business account since they would be the only expenses in there. If it's intertwined with personal income and expenses, however, it'll be more challenging to pull those records.

It's already challenging to manage multiple 1099s for taxes. Don't make it more difficult for yourself by throwing personal income into the mix.

It allows you to apply for a business line of credit. If you *are* set up as an LLC, and are interested in receiving a business credit card, you'll need a business bank account to do so.

It makes you look a bit more legit. Let's be honest. A Venmo invoice from that username you created at age 13 looks a bit less professional than sending a proper invoice from your business. If you're serious about scaling your freelance career, getting a business checking account is worthwhile.

It limits your liability. If someone sues you, your personal assets could be up for grabs if they're intertwined with your business finances. If the two are separated, however, your personal finances would be protected, and your business assets are all they could go after.

Now, you might be thinking, "*But if I'm not legally required to, is it really worth it? Can't I just use my personal bank account for business?*" In theory...yes. But take it from a fellow freelancer. When you funnel *all* of your income and expenses into one account, it quickly becomes a hot mess express. Save yourself the time, energy, and mental gymnastics at tax season, and set yourself up with a business account sooner rather than later.

What Type Of Bank Account Is Best For Freelancers?

There are a variety of business bank accounts you can choose from. Ultimately, the best one for *you* will depend on what you're looking for. Here are a few factors to consider:

ATM access. If you predict a need to withdraw cash from your business bank account, ensure it provides some sort of ATM access. While many online banks don't have their own ATMs, it isn't

uncommon for them to partner with those that *do* have in-person ATMs, so you can still withdraw money when you need to.

Mobile and online banking features. If you prefer to work with a bank that has in-person locations, but plan to use online or mobile banking often, make sure they have a strong user experience. If the clunky features make checking your balance a hassle, it'll become a chore to manage your business finances.

Cash deposits. If your clients pay you in cash, you'll need a way to deposit it into your business bank account. Some online banks, however, don't have in-person locations to deposit cash.

Connection to invoicing platforms. Invoicing platforms will often use intermediary programs like Plaid or Square to connect their software to your bank account. That said, some banks *do not* allow for third-party connections to such programs. Make sure the bank account you choose connects to the invoicing platform you plan to use.

Business savings accounts. As you grow your business, you may want to get a savings account, too. If you'd prefer to have both accounts under the same bank, make sure the bank you choose offers both.

Monthly fees. Even some free business bank accounts will have fees associated with them. Be clear about what fees you may incur before opening the account.

The Bottom Line

While you technically aren't required to have a business bank account, we highly recommend opening one. Not only does it help you visualize the growth of your freelancing business, but it makes tax time a smoother process.