

CHOOSING THE RIGHT BANK FOR YOUR BUSINESS NEEDS

As a business owner, you know that *time is money*. With all of the things you have to do to keep your business going, you don't have time to worry about the daily details of your banking relationship, you just want a bank that works as hard for you as you do for your customers.

You can save yourself a lot of headaches by doing your homework now, to find a bank that will save you time, effort and money, and let you concentrate your energy on the success of your business. The right bank can make your life easier -by understanding and meeting the needs you have today, as well as the ones that will develop as your business grows.

Your first task will be to answer two questions: 1 What am I looking for in a bank? 2. Which banks will give me what I'm looking for? These questions don't sound difficult, but don't be surprised if they uncover more choices than you bargained for! Banking is a competitive business today. To attract customers, banks offer a smorgasbord of useful services that can be pretty confusing at first. That's why the more you understand about your own needs, and the choices available, the better off you'll be.

What Am I Looking For In a Bank?

You are the only one who knows just what services your business will need, so take time to make some notes about what is important to you. Consider things like checking services, savings and money market accounts, credit cards, lines of credit, and loans. Think about conveniences like A TMs and PC banking (see page 3 for more ideas). Don't forget the services you may not need right away, but may want as your business grows (retirement plans, for example).

Next, decide what you can afford to pay for the services you want. A bank meets your needs if it offers the services you want at the price you're willing to pay. And prices do vary, so don't be afraid to shop around. You can benefit from the healthy competition out there.

What is the Bank Looking For?

Don't forget that banks are businesses, too. Like you, they have a responsibility to be cautious, so don't expect a bank to provide its services without asking questions first. The bank will want some assurance that you are a responsible person who consistently meets their financial obligations. To determine this, the bank will generally require you to fill out an application and submit to a credit check. If you already have a personal account with a local bank, you might want to start your "shopping" there, since it's more likely that they will waive the application and credit check for an existing customer.

Which Banks Will Give Me What I'm Looking For?

Now that you know what you expect from the bank, and what the bank will expect from you, you can begin your detailed investigation. Don't be afraid to ask each bank you contact for details and explanations.

After all, this information is important to your business -and your future. A good bank will welcome your questions, and take the time to respond carefully and completely, without making you feel stupid.

Major Banking Services

Checking Services

A business checking account with the name of your business on the checks projects stability and permanence, essential elements in any business relationship. A business checking account also provides a running ledger of your expenses. Some key considerations in investigating checking services are:

- **Cost of Personalized Checks** -You don't want to pay a fee on each check, if you can avoid it. If your business will be generating a lot of checks, try to negotiate a fee-free service. Some banks provide a certain number of checks free, then charge a maintenance or handling fee for any checks written above the limit. It is important for you to determine what that per-check fee will be, and decide whether you're comfortable with that expense.
- **Minimum Balance Requirements** -Many banks require you to maintain a minimum balance in your checking account, especially if they pay interest on the account. Before entering into any agreement with a bank, know the minimum balance required, the penalty fee for going below the minimum balance, and the interest rate that will be paid on the funds in your account.
- **Chargebacks** -*Chargeback* is a bank term for checks returned to you because the check writer (your customer) didn't have sufficient funds in his or her account to cover the check. Banks normally allow a set number of Chargebacks per month or per year, and then charge a handling fee for any Chargebacks over that limit. Again, you need to determine what fee will apply, and whether you're comfortable with this expense.
- **Stop Payment Requests** -You initiate a stop payment request when you want to prevent a check you have written from being cashed. Banks generally handle these in the same way as Chargebacks.
- **Insufficient Funds Charges** -If you write a check that can't be covered by the funds in your account, the bank will either charge you a fee for the return of the check, or extend you overdraft protection and issue you a loan for the amount of the check. In most instances, you have to arrange for overdraft protection in advance, and there is usually a fee associated with it. Banks expect the use of overdraft service to be infrequent, and may close your account if you use it too often.

Savings and Money Market Accounts

The interest rate paid on a savings or money market account is always higher than on a checking account. For that reason, you should keep any excess cash in your savings or money market account rather than your checking account. Some banks do not pay interest on their checking accounts, but provide for

automatic transfers from your savings or money market account to your checking account. This means that when a check is received for payment from your account, the bank automatically transfers the amount of the check from your checking account to your savings account. This service lets you earn interest on your money in the savings account for as long as possible. In considering a savings account, determine the rate of interest on the account, and ask whether automatic transfers are available.

Financial Assistance

Besides putting your money into the bank and taking it out, you may need access to additional funds. Loans from the bank can take the form of credit cards, lines of credit and conventional loans

Credit Cards -Banks often offer credit cards -both personal and business credit cards. Determine the annual fee, the credit limit available to you, and the interest rate that will be charged on the outstanding balance of your account. Using a credit card is usually the most expensive way to secure additional funds.

Line of Credit -If your bank authorizes you for a line of credit, you write a check for the exact amount of funds you need. For example, if you have a \$5,000 line of credit, you can borrow a smaller amount (say, \$500), and pay interest only on what you have actually borrowed. Find out how much money would be available as a line of credit, and what the interest rate would be for borrowed funds.

Conventional Loans. There are many ways of borrowing money from a bank, including first or second mortgages on your house, loans against personal property, business loans and personal loans. Whatever type of loan you are interested in, find out how much you can borrow, the term of the loan, the interest rate, and the monthly payment.

Other Services

Banks have become “one-stop shopping” centers for small businesses. You need to determine what other services will be of benefit to your business, and what those services will cost. Just some of the other services available include:

- Automatic Teller Machine (A TM) Banking -Allows you to check account balances, make deposits, and transfer funds between accounts (Note. You cannot make a cash withdrawal from a business account at an ATM; you must write a check and cash it.)
- Personal Computer (PC) Banking -Internet link to your accounts for balances and funds transfer.
- Electronic Phone Transfers -Telephone link to your accounts for balances and funds transfer.
- Retirement Accounts -401(k) plans and self-employment plans.
- Courtesy Services -May provide a payroll system, insurance, or allowing you to file your Federal tax return electronically. Traveler's checks, safe deposit boxes, and night depositories are other possibilities.

Final Considerations

In addition to all the services a bank can provide, you will also want to weigh the non-monetary, aspects of any bank you are considering. Do the hours of bank operation meet your business needs? Is the bank close to your business, and convenient to get to? Do you feel safe conducting your financial dealings there? Are the bank employees friendly and helpful?

The most important question to ask yourself is -In what ways does this bank show an interest in serving the needs of a small business operator like me? Do they offer special packages for small businesses? Are they actively seeking small businesses as customers? If your investigation has uncovered several acceptable banking "partners" for your business, a welcoming atmosphere may be the added bonus that makes one of them stand out -and will ultimately make your relationship with that bank a good one.