

# COMPANY BANK ACCOUNTS

## BUSINESS ADVISORY ACTIONABLE PRINCIPLES

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## BUSINESS ACCOUNT



### Set up a separate business account for the business

- » Do not commingle personal and business funds
- » Makes recordkeeping easier and organized
- » Obtain debit card tied to account
  - Eliminates having to write checks
  - Can be used when credit is not available to business



### Which bank?

- » Same bank as personal account
  - Potential discounts and leverage due to relationship
  - Easier to transfer between business and personal accounts
- » Different bank as personal account
  - More competitive deals may be available
  - Spreading risk



## TYPES OF BUSINESS ACCOUNTS



### Operating

- » Most versatile and widely used



### Savings/Money market

- » Earn interest while on deposit
- » May have limited number of transactions



### Certificate of deposits (CD)

- » Higher interest rate potential
- » Funds are restricted for a period of time



### Treasury/Merchant account

- » Facilitate credit card and other electronic transactions
- » Higher fees involved





## SETTING UP A BANK ACCOUNT

### Name on the account

- » Checking account needs to be in the legal business name and registered under the business tax ID number
  - Legal separation between owner and business, protecting the owner from legal liability
- » Assumed name (dba) - Needs to be added to the account

### What is needed to open account?

- » Legal entity – corporate formation documents
- » Employer Identification Number (EIN)

### Signers for account

- » Signer does not need to be an officer or owner of the company
- » **PLANNING NOTE:** Spouse should be listed as Director of the LLC if you want them to be able to access funds in case of emergency or incapacitation



## FAQS

### » **When should I open a business bank account?**

- » The bank account should be opened as soon as you have an Employer Identification Number (EIN) and/or begin to accept or spend money.

### » **How much should I keep in business account?**

- » It is good practice to keep at least six months of expenses in the operating account. This amount can be adjusted based on the life cycle stage of the business. Any excess funds should be kept in an interest-bearing account.

### » **What if use the business account to pay for personal expenses**

- » You should avoid paying for personal expenses with the business accounts. If business account was used to pay for personal expenses, you should reimburse the business account for the amount paid for personal expenses.

### » **Is a business bank account required?**

- » The IRS requires that any incorporated business have a business bank account. The rule applies whether the business is structured as an incorporated sole partnership, a partnership between multiple individuals, or a corporation.

### » **Is a business bank account required?**

- » If you want to accept credit cards or apply for a business loan you will need to set up a business account.

