

staff do not inadvertently mix firm funds and client funds, avoiding potential ethics problems. Maintaining a payroll account may not be necessary if you are a solo practitioner, but it ensures that a payroll service or tax service does not unexpectedly drain your operating account.

The transfer process ensures that you keep track of payroll and tax costs as they are incurred. Bouncing a payroll check or tax payment can have serious consequences to your business; setting up systems to avoid that helps insulate you from inadvertent legal liability.

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a line of credit. The rates applicable to the credit card and line of credit vary from bank to bank, so shop for the best rate. Then, ask about the funding mechanisms for the line of credit. Extremely conservative bankers require that incoming accounts receivable payments go to the balance of the credit line before anything else is paid. Others treat the credit line more like a revolving credit account, providing more flexibility in how funds are applied and credited. If you are a new business without resources, the conservative credit line payment approach may leave you strapped for funds; however, that arrangement may impose financial discipline that ensures the survival of the business in the long term. Only you can determine the method that works best for you, but you must inquire about the repayment arrangements before you can make the decision on whether a particular bank's "products" meet your needs.

If you do not qualify for a line of credit, a firm credit card can provide useful bridge financing for times when cash flow is uneven. Depending on the card, you may also be able to accumulate "points" that can be converted into necessary office equipment or accessories. A cash back card may be a better option for a new business, but, in any event, you should make sure you separate personal and business expenses. Not only does it simplify tax preparation and the firm's bookkeeping, but it prevents inadvertently over-extending your personal resources.

Many banks provide a "lock box" service, which can be useful for safeguarding receipts. A lock box is essentially a mail box at the bank into which checks are deposited. Clients send their payments to the lock box address and the proceeds are then processed into the account. Depending on the location or size of your operation, the security of the set up can be a tremendous asset.

Most banks now offer the ability to monitor your business account on-line, just like you do with your personal account. Commercial on-line access often comes with a fee, but see if you can negotiate a free or reduced version of the service. The ability to monitor your business accounts on a daily basis can be crucial for a new business.

Ask your banker and accountant what products each recommends. Then, decide which ones you can afford. Unlike free checking for personal accounts, commercial banking products cost money. You and your new business may not be able to afford all the products you would like to have. If not, triage. Arrange for the ones you need most, then add the others later when your business is more established.

Follow the above steps, and you can survive the trip to the bank -- and make your banker a trusted partner in your business venture.



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