



Business - Securing Your Financial Health - Financial and Banking Options

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ABOUT THE AUTHOR

Dr. Hancock has written a regular weekly column entitled "All Psyched Up" for newspapers in two Canadian provinces for more than a dozen years. Over the years, her readers and clients have said that they have benefited from her common-sense solutions, wisdom, and sense of humour. Dr. Linda Hancock, the author of "Life is An Adventure...every step of the way" and "Open for Business Success" is a Registered Psychologist who has a private practice in Medicine Hat. She can be reached at 403-529-6877 or through email office@drlindahancock.com

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Financial and Banking Systems are businesses that, like you, desire profit. They therefore charge you for each of the services that you choose - amounts which can drastically affect your bottom line. It is therefore important that you carefully analyze and make the best possible choices for your business. You will need to consider the following categories:

Personal Accounts - Some people like to keep their personal and business accounts in separate banks thinking that they then have more privacy, control and benefits. Others prefer the convenience of having all their accounts at the same place so that they can make one trip for transactions or transfer easily between accounts. There may be discounts or financial advantages offered by the bank which result from having several services. These can appear in reduced interest rates, shares or preferred client services.

Business Accounts - Because you are in business - you need a business account. Be cautious when you choose the type. Will you pay a monthly fee or according to the number of transactions you make each month? Does your account have international options? Do you have free or reduced rates for safety deposit boxes or money orders? Can you use telephone or on-line banking without charge? Do you have a debit card or night depository option? What will cheques cost to order? Are there extra charges for you to receive your cancelled cheques? Would a Global Payment Card be offered to you (one in which you pay a merchant with the card but the funds come directly out of your account. You may wish to have a small overdraft protection for which you would only pay interest when used to accommodate your contracted accounts receivables. It is very important that you understand what is available and exactly what it will cost you. Also, you will need to review your account each month so that you are aware of the charges you are paying.

Lines of Credit - Starting, operating and expanding a business can place demands on your finances which may best be handled with a line of credit. Interest is only charged on the outstanding balance which can be paid throughout the month as funds are available.

Loans - Start up can be costly and opening an office with furniture, equipment and the necessary business items might not happen unless you are able to secure an approved loan. You will need to provide the bank or credit union with documents that would convince them of your ability to repay the loan. The less risk - the less the interest rate will be.

Credit Cards - The options are unlimited. Some business people choose their credit card according to the bank they use, the points they can accumulate or the interest rate charged. Again you will need to be very cautious about your choice. Avoid those with annual fees and high interest rates. Ensure that you understand the repayment requirements - dates and amounts - so that you do not experience late-payment fees or an increase in interest rate because you missed the payment cycle.

Savings and Investment Accounts - You may choose to put your profits into bonds, short or long-term accounts, certificates or a number of other options. You will need to research the options and might benefit not only from reading about these but also from discussing them with a Financial Planner or accountant.

It is usually less expensive and more convenient to have only one chequing account (that pays interest on positive balances) and one credit card that is paid off each month. The rest can be unnecessary and expensive. Your business, however, is unique, and because of this, you will need to make unique and wise choices.