volusion

A Guide to Opening Business Bank Accounts

Maintaining separate personal and professional funds protects your assets, keeps you compliant, and simplifies your accounting process.

In this guide, we'll cover:

- Determining your business' bank account needs
- Identifying key aspects of each type of business bank account
- Compiling the documents you'll need to open a business bank account

INTRODUCTION

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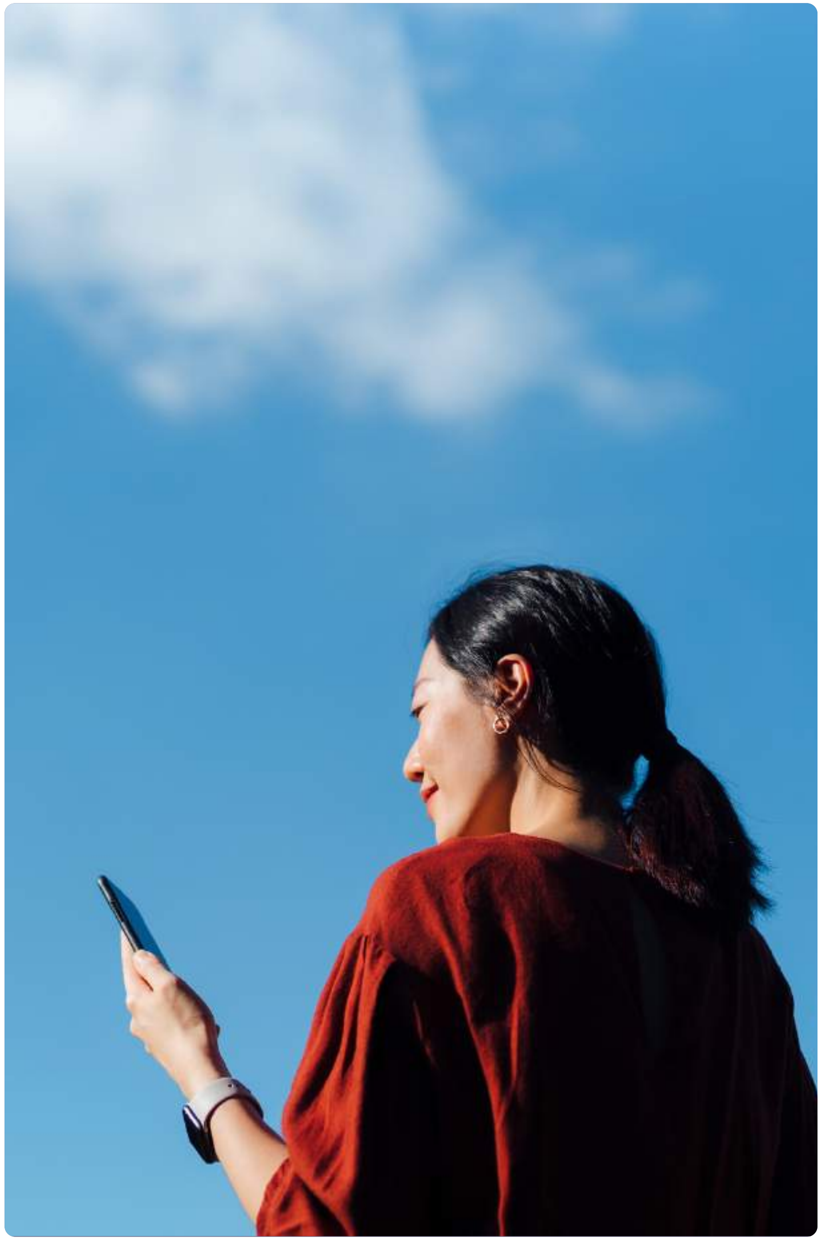
Starting Your Finances Off Right

So you've registered your business with the IRS, launched your online store, and are ready to start raking in sales. Great! Before you do, make sure you've set up a dedicated business bank account.

Maintaining separate personal and professional funds protects your assets, keeps you compliant, and simplifies your accounting process. Opening a business bank account and other financing options can also help your store improve its business credit score and build credibility with your customers.

But creating a business account or taking out a loan with the right financial institution is critical. So is picking an account type that supports your individual needs. This research-packed guide will walk you through how to get it right the first time.

GUIDE OUTLINE



PART 1

Decide What You Need Most from a Business Bank Account

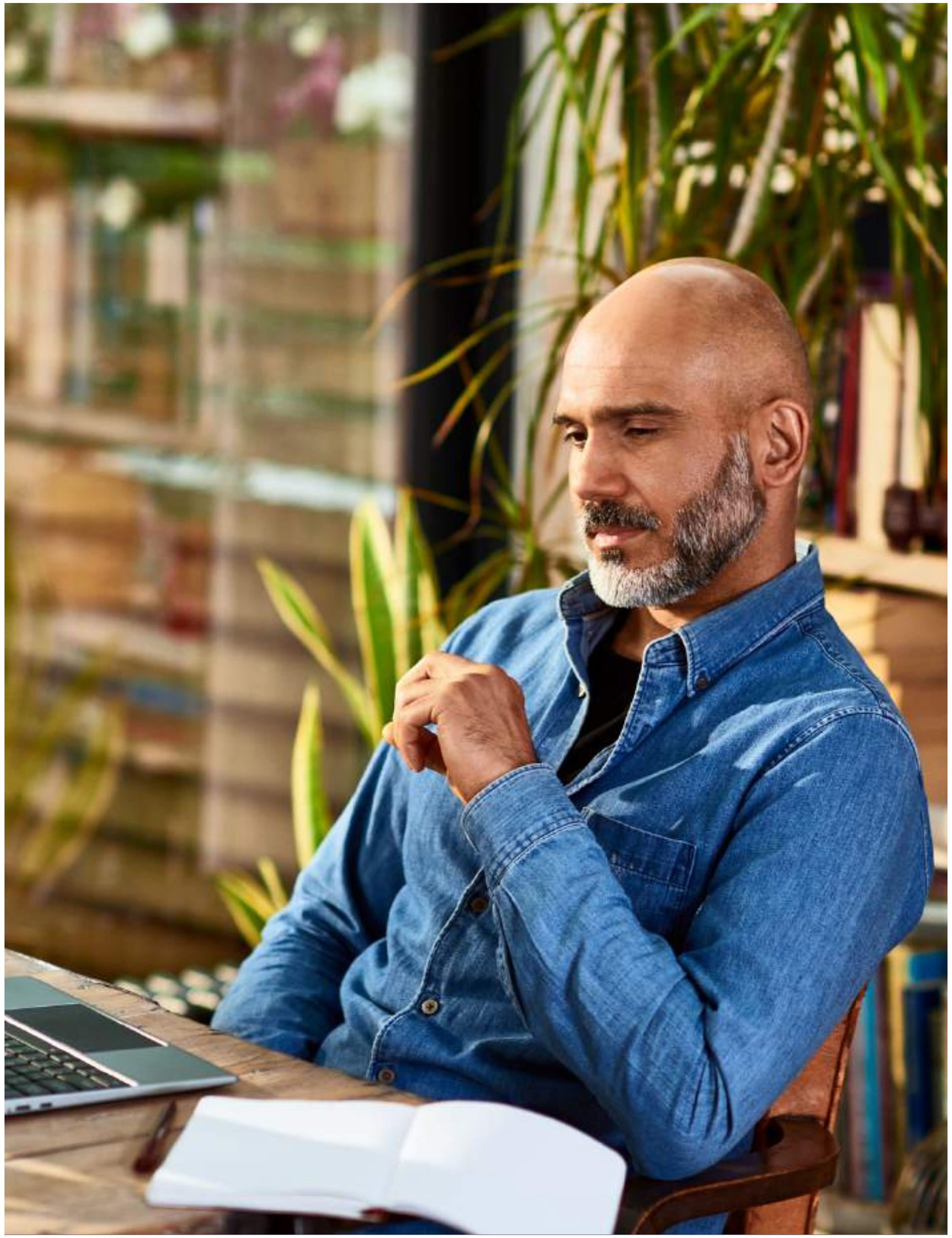
Your needs should drive your search for a bank—don't start the hunt until you've identified them and know how you want to use your business bank account. Essentially, your bank is like a business partner; it helps you manage your money and puts it to work for you so that you can concentrate on running your ecommerce enterprise. Each bank will try to incentivize you to use their branch, but only you know which ones have advantages that will truly benefit your business.

a. Needs assessment questions

When assessing your needs, here are some questions to ask:

- How much can you afford in fees each month?
- Do you want a bank you can grow with, or one that's small enough to give you personalized attention?
- How much money will you use for operating costs, and how much of your total balance will simply need safe-keeping?
- How many credit card transactions do you foresee completing each month?
- Will you be using online bill pay or mobile banking with an app?
- Do you want a bank with a local presence?
- What domestic and international wire options will you require?
- Are you going to want a business credit card for yourself or any of your employees?
- Will you be applying for loans and credit lines at any point?
- Do you want high-tech options with accounting software integrations?

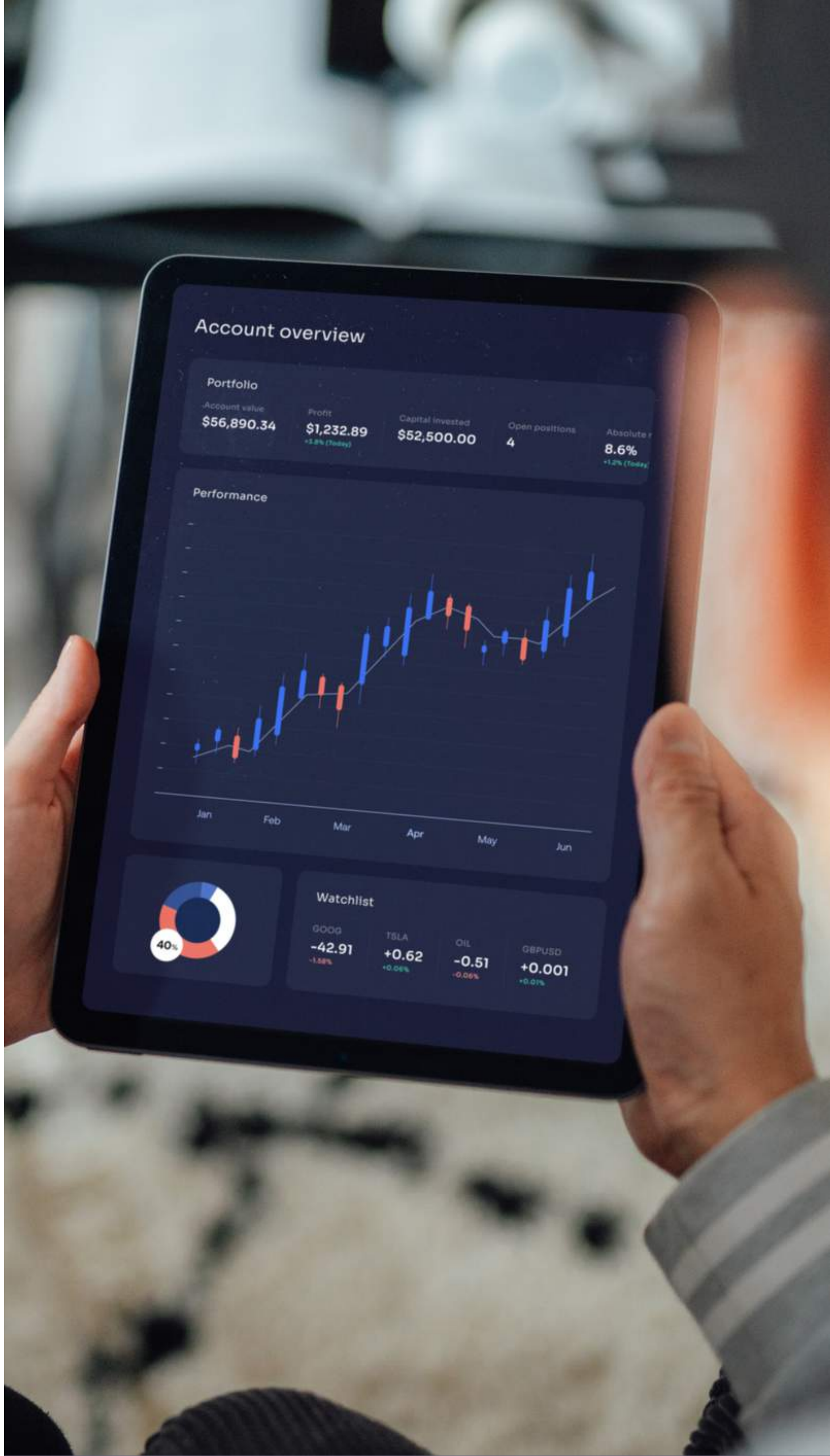
Remember that all banks are more than happy to store your money for you, but what you really want is one that can meet your immediate needs and support your growth as your business expands and changes.



PART 2

Know What to Look for in Different Types of Business Bank Accounts

Once you are clear about your business banking needs, you can think about the types of accounts you'll want to open. Don't worry about deciding where to open them just yet—a comparison of different financial institutions is coming up in Part 3.



a. Business Checking Account

A business checking account is similar to a personal checking account. Funds deposited in this account are immediately made available and can be used to pay bills and other operating costs. You can write checks from this account, make cash withdrawals, and complete other payments using your debit card. Here are some things to consider when picking a business checking account.

Minimum Deposit and Minimum Account Balance

At some institutions, businesses are required to make a minimum opening deposit to get the account started. These fees can range from $5 to $1,500 and are always bank-specific. Once the account is up and running, some banks use your balance to determine whether you'll pay a monthly service fee. Be sure to inquire about the minimum account balance you need to maintain in order to waive these fees.

Cash Deposit Limits

Other banks will let you open a business bank account without a minimum deposit and may not have any minimum account balance requirements, but could enforce cash deposit limits. If you deal in and deposit a lot of cash each month, check to see what the cash handling fees are. In some cases, even a few thousand dollars can trigger cash handling fees on each transaction above the cash deposit limit.

Batch and Transaction Fees

For most online merchants, having a high transaction limit is extremely important. Transaction fees for general banking needs—like teller deposits, ATM withdrawals, and electronic transfers (including bill pay)—can be as steep as $0.40 a pop. Luckily, you usually won't have to worry about that unless you do more than a couple hundred transactions per month.

If you're primarily processing credit card transactions—and what ecommerce store isn't these days—you need to demand total transparency when it comes to ACH daily batch fees. The fees for settling even a modest amount of credit card transactions each day can quickly eat into your online store's profits if you're not careful.

b. Business Savings Account

When it comes to personal and professional finance, having a little cushion socked away is always a good idea. If you want your rainy day fund to accrue interest while you're not using it, look into opening a business savings account. Though many banks offer less competitive interest rates compared to personal savings accounts, it's still an easy way to earn for your savings while keeping your cash assets mostly liquid. It's also ideal for keeping track of money you're saving for a major purchase or annual slowdown.

Whether you plan to set up your business savings account at the same time you open your business checking account or want to wait until you're more established, be sure to make note of what your bank offers in terms of the following.

Minimum Deposit Amount

Banks often want you to fund a business savings account with an opening deposit. Though some business checking accounts have this requirement too, the practice is even more common when it comes to saving for your business. Each bank's minimum deposit is different, so definitely factor it in as you're comparing options.

Annual Percentage Yield (APY)

The biggest benefit of keeping some of your funds in a business savings account is the extra money you'll earn while it's there. How much you'll pocket is determined by the Annual Percentage Yield (APY), or the amount of interest you'll accrue each year. This figure can fluctuate at any moment based on the market, and earnings are usually applied to your account on a monthly basis.

In general, the higher the APY, the more you'll earn. Be sure to ask if your bank is offering an introductory rate on their savings account, and if it's set to expire after a certain duration.

Withdrawal Limits

A business savings account is meant to help you save your money, not spend it. That's why most banks set withdrawal limits on how much money you can take out of a savings account each month. This makes your savings cash slightly less accessible than your fully liquid checking assets, but so long as you're not paying withdrawal fees, the money you earn each month in interest should be enough to offset any inconvenience. It's also worth checking to see how many ATM versus in-person withdrawals you get each month, as this can vary by bank.

If, after some time, you discover you're needing to access your savings balance more and more, simply move it back into your business checking account and close the savings account.

Service Fees

Most banks charge a fee to hold and manage your money for you. Fortunately, you can usually have this monthly service fee waived by keeping your balance at or above your bank's predetermined amount. These daily average balance requirements vary greatly from bank to bank, so check to see how low or high the minimum is before you commit to a particular account.

Business Savings vs. Business CD

If your business has a surplus balance that you don't plan to use anytime soon, you could choose to hold in it a certificate of deposit (CD) instead of a business savings account.

Understand that doing so will prevent you from accessing the funds for a fixed amount of time (1-5 years is common) and should you decide to withdraw before the agreed-upon term, you'll be penalized with heavy fees. However, keep your money in the CD over the long haul, and you'll be rewarded with a guaranteed return based on a fixed amount of interest.

If you're thinking of opening of business CD, make sure you know:

1. The minimum opening balance
2. How long the term of your CD will be
3. What the APY is for the term of the CD
4. The penalties incurred if you withdraw early
5. Account fees (like a monthly interest disbursement fee)

c. Bank-Offered Merchant Services Accounts

When you run an ecommerce store, debit and credit card payments are your lifeblood—and so is the ability to process them economically. Usually this requires a Merchant Services Account to help triangulate between the payments you're collecting, the credit card processors, and credit card companies themselves.

Merchant Services Accounts are also a highly reliable avenue for accepting cards. Having one even cuts down on the time it takes for stores to receive funds from a sale by advancing the money before it goes through the full behind-the-scenes payment cycle—not unlike a line of credit. They also protect the banks and buyers from losses and scams at the same time.

Many traditional banks offer Merchant Services Accounts, but they're certainly not the only avenue. There are plenty of reputable companies that specialize in merchant services who have secure, competitive rates and offer tons of value-add services for using their platform. Many ecommerce platforms (like Volusion) provide store owners with all-in-one-solutions, including built-in payment gateways.

Still, it's not uncommon for online merchants to investigate the merchant services offered by their bank in order to keep their business checking and credit card processing accounts under one roof. Whichever route you choose, here are some things to look for as you make your comparisons.

Price Structures

If you're going to accept credit and debit cards through your online store, you'll also have to accept the fact that there are fees for doing so. How much you'll have to pay depends on the volume of transactions you'll have and the processing fees levied by your merchant service provider.

To really shore up different options, you're going to have to look deeper than the rates and fees you were originally quoted. Fail to do so, and your first statement may come as an unhappy shock. In other words, when selecting a merchant services partner, pricing transparency is non-negotiable.

For a complete understanding of how much you'll be paying, what you really need to know is how your merchant account provider structures their pricing on your particular plan. Most merchant service providers use one of four industry standard pricing models. In case you're unfamiliar, here's a brief summary of how each of the big four break down:

- **Interchange-plus:** Merchant account providers who offer ecommerce merchants this pricing structure will more clearly identify wholesale costs of processing a transaction and the markup they apply to it. Many online businesses stop here thinking that the quote they received is a good deal. In actuality, these preliminary figures generally only apply to the "plus" in interchange-plus—or the markup—so make sure you're clear on what that is.
- **Membership/subscription:** Think of this as interchange-plus-plus. Similar to the pricing model above, the wholesale interchange rates and markups are clearly distinguishable. Merchants pay an additional predetermined monthly fee for service plus a small static markup for each transaction.
- **Flat-rate:** This is an all-inclusive model typically used by third-party Payment Service Providers (PSPs) like Square and PayPal. Here, the processing markups from the provider plus any wholesale processing costs from the processing chain at large are blended into a relatively high rate of 1.5-3% or more per transaction.
- **Tiered:** Tiered pricing—also known as bundled pricing—is a model that's murky at best. Processors have pre-set criteria for each "tier," which transactions fall into it, and how much it costs your store. For merchants, this means that merchant account providers don't have to disclose their markups and can upgrade or downgrade a transaction into a different (read: more expensive) tier with no advanced notice. Quotes are often based on these lower tiers, which may not be representative of a store owner's actual financial commitment.

Price structures for merchant accounts are complicated and varied. Any one of these may be right for you depending on your situation, but we'd suggest thinking twice about the unforeseeable surcharges associated with tiered pricing models and go with a more transparent structure that clearly spells out interchange costs and markup percentages.

Other Fees

When working with a merchant account provider, there's a host of fine print that has a big impact on your take-home profit. As you might imagine, the fees can be numerous, but generally fall into one of three overarching categories:

- **Transactional Fees** are just what they sound like—small charges you pay back to your provider each time you process a credit or debit card. (See pricing tiers above for more information.)
- **Scheduled Fees** come on top of your transactional fees. These include flat-fee billing line items like monthly and annual fees, statement and online reporting fees, and PCI compliance and IRS reporting fees.
- **Incidental Fees** are billed on a per-occurrence basis. Some months, you won't have extra costs like chargebacks, insufficient funds, or PCI compliance fees. (While we're on the subject, make sure your merchant account provider is PCI compliant themselves so that they can help you stay that way, too.)

Some fee comparisons you'll want to note when selecting a merchant account provider come at the beginning and end of your working relationship. Before you sign on with any one provider, be sure to read over any applicable setup fees, early termination fees, or account closure fees. It's also a good idea to ask if fees differ for traditional retail stores and online stores.

Processing Volume

Some merchant services will charge you for doing too much business; others, not enough. Know what monthly and annual transaction minimum and maximum you're committing to before you start selling. If you fall short, you could have to pay the difference. Go way over, and you could pay heavily for each transaction above your contractual volume.

Funding Timeframe

Most banks advertise next-day funding payments to online merchants who use their processing services. This is arguably the biggest appeal for choosing a merchant services account through a bank. However, the industry standard is two days, and it's not uncommon for payments to take three full days to circulate the payment cycle and get deposited into the store owner's account. Check to see if the merchant service has any stipulations on the size of transactions it'll hold or if it slows large batches that are well above your average deposit.

Contract Term

The contract term in your merchant processing agreement ensures you can continue doing business with a particular service provider uninterrupted for the agreed-upon length of time. It also spells out the obligations the provider has to you as an ecommerce merchant, and vice versa. Check to see if yours renews automatically or expires after a fixed number of months, and what fee will be assessed in the event of an early termination on your end.

Hardware and Software Requirements

Generally, merchant account-issued hardware—like credit card processing terminals and the leasing agreements that come with them—are more likely to impact brick-and-mortar stores. Still, they're good to make note of in case you ever have a need or decide to implement a point of sale (POS) system for a pop-up event, festival, or market. At the very least, you'll probably need a laptop (hardware) to run the system, but each account provider is different.

It's also important to get clear about the software requirements and capabilities you'll need in order to keep organized records and fulfill orders seamlessly after the sale.

Customer Service Model

Picking a merchant service provider based on price alone may be tempting, but it could cost you in the end. As important as competitive pricing is, there's one thing you can't afford to skimp on: customer service. Make sure to ask about the hours of the customer service department and the channels they use to interface with customers (for example, a 9-5 toll-free number versus 24/7 online support). What you want is to know that someone is available by phone, email, or live chat around-the-clock, because payment issues can happen at any time.

d. Business Lines of Credit

For most small business owners, a line of credit is a must-have. Opening a line of credit makes it possible to do things like support your fluctuating cash flow, fund major purchases, make payroll, and more. It's a flexible loan option that gives you access to fast cash without making you scramble to fund the unexpected with a high APR option or go through the lengthy process of applying for a traditional business loan.

Once approved, your bank will front you a certain amount of money (anywhere from a few thousand to a few hundred thousand dollars), which you can borrow, use just like cash, and reuse and repay as needed. All you need to do is make sure you don't go over your limit and are making regular payments in agreement with your loan term. Lower lines of credit may be unsecured (meaning no physical collateral is required), while others may require securities that can be seized if you default on the loan.

Why is a line of credit such a good idea for small business owners? Let's say you have a huge customer order come in, or your supplier suddenly doubles their prices. With an open line of credit, you have the option to pay only for what you use, so it costs you virtually nothing to have some extra padding available to cushion any unanticipated cash flow issues.

Traditional banks typically have the highest credit lines at the lowest interest rates, but come with stricter approval processes. Some will want to see a few years worth of credit history and revenue gains before extending a collateral-backed line of credit. Online lenders tend to have less ridgid qualification criteria, but the trade-off is high interest rates (up to 99% in some cases) and lower credit lines.

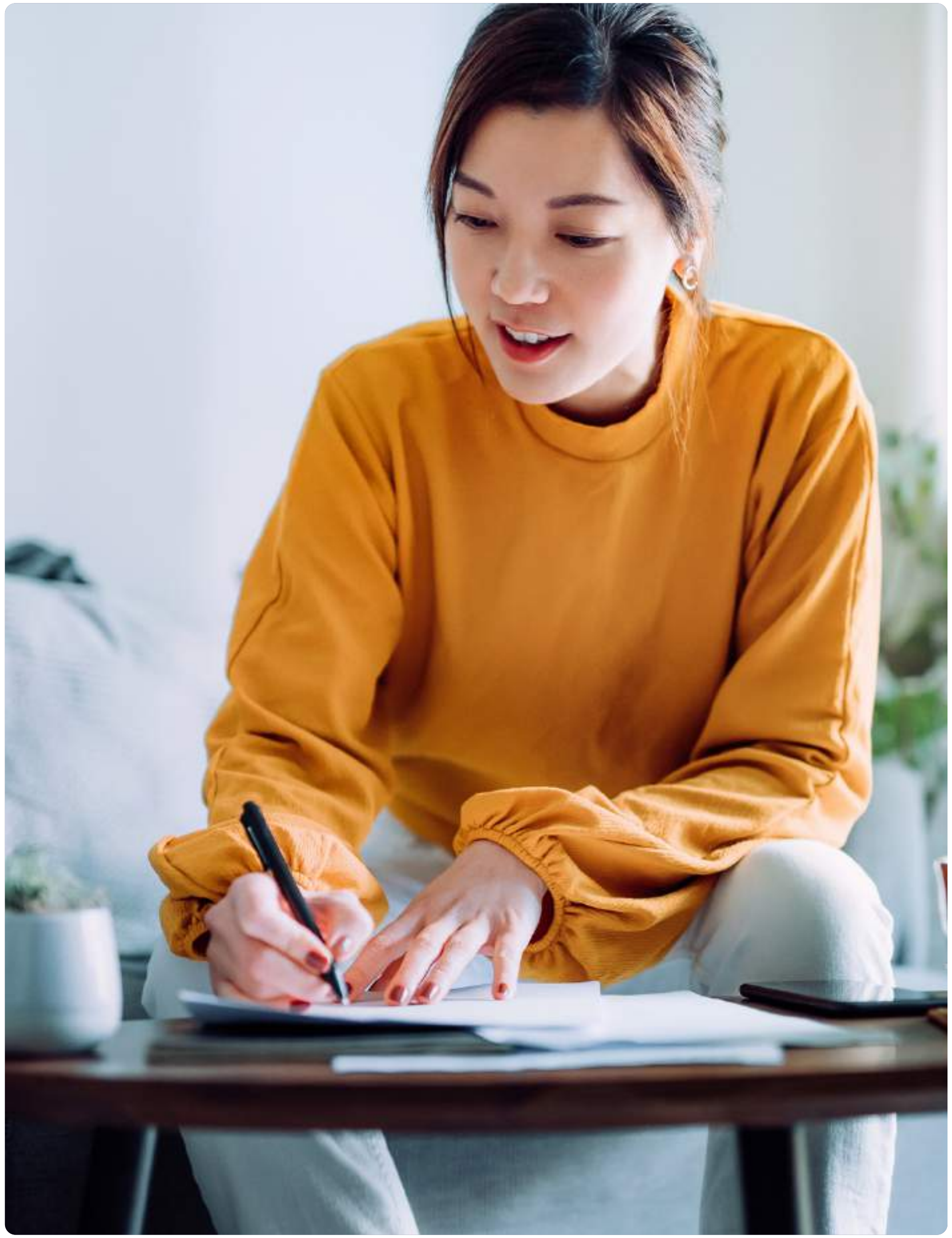
If you're an online merchant looking to borrow a line of credit, you'll probably need a credit score of at least 500, a six month business history, and $25,000 in revenue. Meet all these limits, and then you can start comparing offers. Here's what to note in your search:

Loan Amount

The average line of credit is between $10,000 and $1,000,000. To determine how much you should apply for, start by calculating the amount you think you need and working backwards from there. In the event that you're funding a specific figure (like when paying your payroll taxes or investing in new equipment, for example), the loan amount should be pretty straightforward.

If, however, you're looking for a line of credit to supplement your working capital, it's best to do a quick calculation of your daily cash needs. Simply take your sales revenue and divide it by the timeframe you're looking to fund. For some businesses, this will be a straightforward 365. For others, it might be the 90 days leading up to the holiday selling season. From there, multiply your daily cash need by your accounts receivable days, minus accounts payable days. This will get you fairly close to how much credit your business should apply for.

Keep in mind that if you apply for a line of credit online, many companies have limits on the maximum amounts they offer. All lenders take your business credit history, revenue, and assets into account before agreeing to fund a line of credit.



APR

You only pay interest on the amount of money you borrow from your line of credit. Still, it's critical to know how much it will cost you each time you use it. Remember that traditional banks generally have much lower interest rates than online providers whose APR can top out at 99% (though most interest rates for a line of credit average between 7% and 25%). You're also likely to pay higher interest rates if you need an unsecured line of credit. Some businesses choose to put assets up as collateral to qualify for a secured line of credit, though it does mean that the bank can repossess them if you don't pay back your loan within its term.

Loan Term

Speaking of loan terms, it's good to find out how long you'll have to start making payments once you begin borrowing from your line of credit. Some financial institutions ask that you make weekly payments while others will let you wait several months, but remember that you'll be accruing interest charges until you have repaid in full. Generally, the full loan amount will need to be repaid somewhere between six months and five years time.

Funding Time

How soon you need the money could determine whether you apply for a line of credit through the bank or an online lender. A traditional financial institution may have a bit more red tape and a lag time for funding your line of credit. If you can't wait several days or weeks, many online lenders promise next-day funding with credit approval.

e. Business Credit Cards

A business credit card is similar to a business line of credit in that it allows online merchants to use short-term financing options to fund some elements of their business. The specifics, however, are different, and there are benefits and drawbacks to accessing working capital this way.

Many small businesses choose to open both a business credit card and a line of credit, so it's certainly not a "one or the other" scenario. Deciding whether or not to move forward with applying for a business credit card ultimately depends on your individual needs and circumstances. Let's start by distinguishing these two funding sources.

Benefits of Business Credit Cards

Business credit cards are ideal for ecommerce stores who are just starting out since they don't require businesses to have been established for a certain amount of time to gain approval. This is different from business lines of credit, which typically require about a year's worth of consistent revenue.

They also give online businesses an opportunity to earn rewards points on purchases, which can be redeemed for cash back, travel stays, statement credit, and more. Many business credit cards even incentivize new accounts with an introductory bonus of $500 or more. If you're looking for an avenue to easily track your business spending and keep organized records of your business-related expenses, a business credit card is the way to go. This can be especially important if you want to give employees credit card access.

Potential Drawbacks of a Business Credit Card

The average business credit card limit is about $10,000, whereas lines of credit can be for hundreds of thousands of dollars. Some banks offer higher credit limits up to $50,000 or more, but the maximum is highly dependent on your credit score.

Most business credit cards also have mandatory annual fees that can be hundreds of dollars, meaning you'll also pay more just for opening a business credit card (versus a line of credit, where you only pay interest as you access it). Speaking of interest, remember that with a line of credit, the funds you pull can be used as cash, and whatever you draw from accrues interest at the same rate. With a business credit card, making a cash withdrawal can result in much higher APR fees. Default on your payments or go over your limits, and you can bank on more fees and potential interest rate increases to follow.

Business credit cards also require you to make minimum monthly payments that can fluctuate depending on how much of a balance you carry. Lines of credit may only require partial repayments once a quarter or once a year depending on the terms of your loan.
If you do plan to give your employees access to your business credit card, understand that this does open you up to potential misuse of funds, unauthorized employee charges, or security issues like a stolen credit card number.

What to Look for in a Business Credit Card

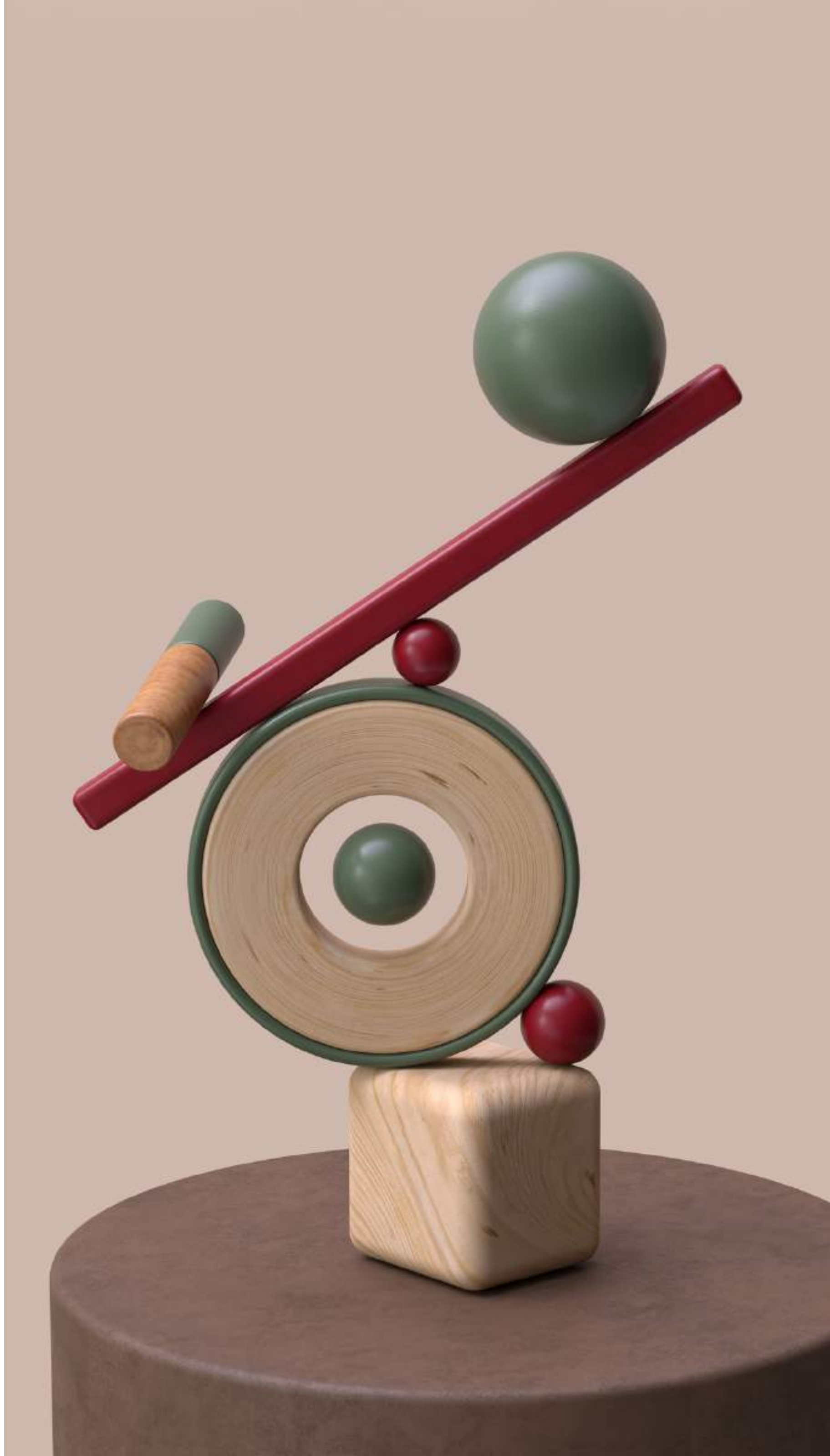
If you've decided a business credit card is an appropriate financing option, there are some categorical considerations to look in to make sure you're getting the best deal for your business:

- **Credit Limit Maximum:** This is how much the bank will allow you to borrow against based on your credit history. The better your personal and business scores are, the higher your maximum credit limit is likely to be. Remember that there are fees for going over your credit limit, so if you truly need more than the credit card companies are willing to give you, consider opening a line of credit to help cover your cash flow needs.
- **Interest Rates and APR:** Unless you pay off your credit card in full each month, you will be charged interest on your outstanding balance. The average business credit card APR is roughly 15-25%, though some institutions do offer a 0% introductory rate for 6 months or a year. Just make sure you know what interest rate you'll be committing to after the introductory period is over.
- **Annual Fees and Penalty Charges:** Many business credit cards come with an annual fee of somewhere from $50 to $500; however, most average about $95 per year after the first year. Read over your cardholder agreement to see what other types of fees (like late payment or over limit penalties) you're on the hook for.
- **Rewards and Points**: Some of the biggest incentives of signing up for a business credit card are the cash back options and reward points offered by many banks. Check to see if there's an introductory bonus offered for spending a certain amount in an identified period of time. You may continue to earn points for each purchase you make with the card. Other business credit cards let you get 1-3% cashback for the money you spend each year, but be sure to ask if there's a limit on how much you can earn.
- **Employee Usage:** If you want the ability to give employees access to your business credit card, check with the banking institution to see if you need to add them as an authorized user or if you can issue specific cards to certain members of your team. There's likely no extra cost for doing so, but it's always best to verify this ahead of time.
- **Customer Service Rating:** Be it fraud watch, dispute resolution, or the ability to talk to a live person when you call, you want to make sure that your credit card company has a highly-rated customer service department in place.
- **Foreign Exchange Fees:** If you travel out of the country for work or purchase products from overseas, foreign exchange fees can add up quickly. Choosing a business credit card that covers the cost of your foregin conversion fees can save you hundreds or thousands of dollars per year.

PART 3

Compare Business Banks to Find the Best Option for Your Business

Once you have a plan in place for what type(s) of accounts you'll need, it's time to find the right bank for your business. We've broken down what each major bank offers, as well as what types of businesses will benefit the most from their services, in this section.



a. Best for small businesses

Our pick: Wells Fargo

Why we like it: Home-based online stores have specific needs, including an economical business bank account with access to solid loan programs. Wells Fargo offers both, as well as a robust offering of credit and loan options to help you with cash flow, and a very competitive fee structure on their business checking accounts. $25 gets you started, and at $10 per month, it's a steal. This is one of the lowest fees we've seen, but if you can keep a minimum account balance of only $500, you'll pay nothing at all.

What to know: Steer clear if you do tons of banking transactions each month—this account caps you at 50.

Alternative: Capital One. If you want unlimited transactions for your ecommerce businesses at an affordable monthly fee, try this route instead. *Bonus: deposits can be made online!*

b. Best for medium and established businesses

Our pick: Bank of America

Why we like it: Growing businesses can easily avoid the $18 monthly maintenance fee by keeping an average of $3,000-5,000 in the account. They'll also enjoy 200 free transactions each month.

New business account holders even stand to gain a $450 introductory bonus if they meet certain requirements. Bank of America also offers its business account holders reward points just for spending money using their business debit card.

What to know: You'll pay $0.45 for every transaction over the 200 limit and $0.30 for every $100 over the $7,500 in cash deposit limit.

Alternative: PNC. Need a little more leeway to make additional transactions? PNC will give you up to 500 at no extra charge. They'll even give you a free personal checking account with your business account.

c. Best banks with credit and loan options

Our pick: Capital One

Why we like it: No matter what you're looking to finance, Capital One has a program to help you pay for it. Whether you need a small line of credit to help with a big shipment or an equipment loan for an item you make or sell in your online store, they've got you covered.

If you have a personal or business checking account with them, they'll even customize loan options with relationship-based rates to boot!

What to know: If you haven't been in business for at least two years, you'll have to be a business account holder before they'll even consider you.

Alternative: Wells Fargo, a.k.a. "America's leading small business lender." They've committed to loaning $100 billion to small businesses in five years.

d. Best for startups with no working capital

Our pick: Azlo

Why we like it: You don't need a cent to open it. It won't cost you anything per month, and there's no minimum balance you need to maintain. It's zeros across the board (except when it comes to features).

Whether you want to send checks, pay your employees via direct deposit, or send an invoice, you can do so without ever leaving Azlo's app. You can also easily integrate it with popular online payment APIs, so tracking what's coming in and going out is a no-brainer.

What to know: You can't make cash deposits since there aren't any brick-and-mortar branches, but you will have access to 55,000 fee-free ATMs you can use with your Azlo debit card.

Alternative: Bank NOVO. This is another fine high-tech banking option—just make sure you have $50 you can put toward the minimum opening deposit.

e. Best interest-bearing accounts

Our pick: Axos

Why we like it: Most business bank accounts offer much less interest compared to a personal checking or savings account. While the current rate on an Axos interest-bearing business accounts is just under 1%, it's still higher than the 0% most others come with.

It's rare to find a business bank option that allows you to accrue interest on the funds you have in your account. Though it may not sound like much, think of it this way: you're essentially earning more money for doing nothing.

What to know: Axos business interest checking only comes with 50 free transactions a month. If you do significantly more, you might want to reconsider, as fees could quickly eclipse any interest earnings.

Alternative: TIAA comes with 200 free transactions in a month and can be a good alternative—so long as you have the $1500 needed to open an account.

f. Best all around

Our pick: Chase

Why we like it: With a Chase total business checking account, you won't need anything to start the account. In fact, they'll give you money if you meet certain criteria. And at $200, they have one of the most generous introductory bonus offers we've seen. Chase also gives you plenty of free transactions each month and makes it easy to waive the service fee with a $1,500 minimum balance.

If you have employees or business partners who need account access, Chase will give each of them their own debit card and an online banking login.

Finally, Chase will be there to support your business as it expands, offering two additional banking tiers once you outgrow this startup business account.

What to know: While $15/month may not sound like a lot, that's $150 your online business could be spending on supplies, paid social media marketing, or equipment costs. If you sign up for e-statements, you automatically take your maintenance charges down to $12, but it's keeping an average daily balance of $1,500 that really makes this account economical.

Alternative: Bank of America also gives you the introductory rewards, plentiful transaction fees, and lots of ways to waive monthly maintenance costs.

g. Comparison table

BANK	MINIMUM DEPOSIT	INTRODUCTORY OFFER	MONTHLY TRANSACTION LIMIT	MONTHLY SERVICE FEES	BALANCE TO WAIVE SERVICE FEES	BEST FOR
Chase - Total Checking	$0	$200	100	$15	$1500	New Businesses
Bank of America - Business Advantage Checking	$100	$450	500	$18	$250 spent on new purchases	In-person banking needs with reasonable and easy to waive fees
Capital One - Business Checking	$50	$250 - 1000	Unlimited	$15	$2000	High transaction limit wiht low fees
Wells Fargo - Simple Business Checking	$25	$50 - 1000	50	$10	$500	Complete small business banking for startups
Azlo - Business Bank Account	$0	$0	Unlimited	$0	N/A	No fee internet banking
PNC - Checking Plus	$100	$0	500	$20	$5000	Businesses who want to upgrade from basic account (comes with free personal checking account)
Bank NOVO	$50	$0	Unlimited	$0	N/A	New businesses who want high-tech banking
TIAA - Business Checking	$1500	Introductory APY interest earnings	200	$14.95	$5000	Online businesses and interest-bearing checking
Axos Bank - Business Interest Checking	$100	$0	50	$10	$5000	Interest-bearing checking account with low opening deposit

PART 4

Gather Documentation Required to Begin the Application Process

So you've settled on a business bank account and are ready to make your first million. Great! Time to see a personal banker and open your account. Use the following lists to help you anticipate which types of documents you'll need to bring and ensure that the process goes as smoothly as possible.

a. What you need to open a business bank account

Each banking institution will have slightly different requirements to open an account depending on the type of business you have and which of their accounts you want to start. Generally, you can expect that they're going to ask for some version of the following:

Tax Documentation

At minimum, you'll need a taxpayer ID. If you're an unincorporated LLC or Sole Proprietor, your social security number will do. An employer identification number (EIN) is required for partnerships, corporations, or companies with any employees.

Identification

Two forms of identification are usually required to open a business bank account. Bring your picture ID (driver's license, state ID, or passport) and government-issued tax identification number. Remember that you must be the owner of the business or listed as an officer to open the account.

Business License

Your business license is generally issued by the state in which your online business is registered. Sometimes local governments also have permits you can use to show you're registered with the appropriate governing entities. Bring copies of everything you have.

Doing Business As (DBA)

Does your online store have an assumed name? Many businesses choose to have a public facing name that differs from the legal name on all their paperwork. This means they've registered their trade name as a Doing Business As name (DBA) with their Secretary of State's office. Make sure you bring this document with you to open your business bank account so it can be labeled accordingly.

Articles and Agreements

Banks use organizing documents to verify specifics about your business, including the owner(s) information. These documents, known as Articles of Incorporation (or Articles of Organization if you're an LLC), also help the bank verify the business' registered name, its address, the business type, and purpose. Bring these along with any founders agreement, partnership agreement, or operating agreements you have showing how multiple business owners are splitting the responsibilities of the business.

Get all additional paperwork in order ahead of time and review the lists below to make sure you have all the documents you need based on your business type.

If you run your online business as a **Sole Proprietorship**:

- Social Security Number or Employer Identification Number (EIN) if you've registered for one
- Business License with owner's name or Business Name Filing document with owner's name
- Photo identification to show you're connected with the business
- Certificate of assumed name/DBA, if applicable

If your ecommerce business is registered as a **Partnership**:

- Employer Identification Number (EIN)
- Founders agreement, partnership agreement, or operating agreement with name of partners
- Business License with owner's name or Business Name Filing document with owner's name
- Photo identification to show you're connected with the business
- Certificate of assumed name/DBA, if applicable
- State-filed Articles of Incorporation or Articles of Organization (for Limited Partnerships or Limited Liability Partnerships)

If your ecommerce store is a **Corporation**:

- Employer Identification Number (EIN)
- Business License with owner's name or Business Name Filing document with owner's name
- Photo identification to show you're connected with the business
- Certificate of assumed name/DBA, if applicable
- Corporate bylaws
- Articles of Incorporation filed with your state

If your online store is a registered **LLC**:

- Social Security Number or Employer Identification Number (EIN) if incorporated
- Business License with owner's name or Business Name Filing document with owner's name
- Photo identification to show you're connected with the business
- Certificate of assumed name/DBA, if applicable
- LLC operating agreement with the name of the business and its partners
- Articles of Organization filed with your state

Bear in mind that supplemental credentials may be required to open a business bank account. Consider calling your bank branch ahead of time if you want to make sure you have a comprehensive list of all you need to bring with you on your first attempt.

b. What you need to open a line of credit

Businesses looking to open a line of credit usually need to have been in existence for at least six months. Many lenders also require you to demonstrate $50,000 or more in annual revenue.

Short-term lenders like the ones you can apply for online typically require significantly less documentation than traditional bank lenders.

Businesses should come to the table with at least the following to appease line of credit providers:

- Driver's license or passport
- Social Security Number and EIN
- Voided check from your business bank account
- One year's worth of bank statements
- Balance sheet and cash flow sheet
- Profit & loss statements
- Business and personal credit score
- Business tax returns
- Personal tax returns
- Stakeholder information
- Business license
- Organizing documents
- Debt schedule

C. What you need to apply for a business loan

Applying for a business loan is the most involved financing option for both borrower and lender. Because the bank is assuming more risk under this type of agreement, businesses can expect thorough applications and strict eligibility requirements.

Before you go in to apply, it pays to get all your financial documents together. Use this loan application checklist to help you come prepared and organized:

- **Copy of your personal credit report:** The lender will likely pull this too, but it helps you to have an idea of what they'll see when they do. It'll also give you an opportunity to dispute any errors with the credit reporting agencies ahead of time.
- **Age of business:** The longer the better—some institutions require 1-2 revenue-generating years.
- **Type of industry:** Not all banks will lend to all industries. If you think your online business or the products you sell may land you in a riskier category, it can be helpful to research this ahead of time.
- **Loan amount:** Decide how much you need to run your business and don't ask for much extra—it's best to keep your finances as lean as possible.
- **Intended use:** Make sure you're prepared to talk about what the funds will be used for.
- **Annual revenue:** Different loan types have different requirements, but it's best to show $10,000 to $150,000.
- **Statements from your business bank:** Good thing you opened that business bank account! Now you'll need to gather statements from the last two years to support the loan amount you're asking for on your application.
- **Revenue statements:** Show how much you've made in sales versus the expenses you have for about the last year.
- **Balance sheets:** These are designed to show the assets of your business compared with liabilities you have.
- **Tax returns for yourself and your business:** This is how a lender will verify that the income and revenue you're reporting match.
- **Business plan:** Most require this, but not all. Still, it gives you added credibility and certainly can't hurt.
- **Business debt schedule:** The more clearly you break out the other outstanding loans and debts your business has, the more quickly they can calculate how much to invest in you.
- **Forecasted revenue:** Demonstrate the money you anticipate bringing in to increase your chances of getting a higher loan amount.
- **Collateral records:** Lenders want to know you have assets you can use to repay a loan in case you default.
- **Payroll documentation:** Whether you're paying yourself or an entire team, the bank will want to see those records before approving you for a business loan.

d. What you need to apply for a business credit card

The process of applying for a business credit card doesn't have to be stressful. Most banks use a similar application that asks a lot of the same routine questions.

As you might expect, information about your business name, contact information, industry type, business structure, employee count, years in business, and tax ID number are all covered.

The information that determines whether you're approved—and for how much—is a bit more nuanced. To help the banks calculate your debt-to-income ratio (DTI), you should know that they're going to be looking at how much annual business revenue you bring in compared with your monthly estimated spend. Take in more than you pay out, and credit card companies view you as a low-risk candidate who's likely to repay their debts each month.

If your online store is too new to have much of a revenue stream, don't worry—card issuers often approve startup entrepreneurs based on their total annual income, which does not have to come from your primary business. In most cases, this amount can include the money your spouse makes each year.

Your credit score is also a huge determinant when applying for a business credit card. Banks look at it closely, then see which other monthly debt obligations you have. After they deduct payments like mortgages, car loans, other credit card bills, etc. and subtract them from your income, they use this figure—your DTI—and your credit score to come up with a credit line amount they believe you can reasonably repay.

Open Your Business Bank Account

Ultimately, the relationship you have with your bank is an important partnership for your online store. It can help you appear more professional in the eyes of your customers and, done right, has the ability to grow your ecommerce business even faster. Once you understand the steps it takes to open the accounts you need, you can begin working toward supporting your expanding brand.

volusion

If you're ready to sell your products online using software built for SMBs, try a risk-free 14-day trial of Volusion's award-winning ecommerce platform. From creating a beautiful storefront to managing inventory and accepting payments, Volusion is the easiest way for entrepreneurs to build the business they've been dreaming of.