

Choosing a Checking Account for Your Business

Just like choosing a personal checking account, you should select a business checking account, or a series of accounts, that match your needs. Start by considering how you use your business checking account:

- How many checks do you write each month?
- How many and what types of deposits do you typically make?
- How large of an average balance do you maintain?
- Is there a convenient branch or ATM close by, especially if you make daily deposits?

Most institutions offer a basic business checking account with very low or no fees. Most institutions will restrict the number of checks that can be written on a low or no fee account to prevent a business from having an account with very low balances and writing a large number of checks. For instance, most institutions would not allow an account with a very low balance to be used to process payroll checks for a business with hundreds of employees.

A few years ago with the enactment of the Dodd-Frank Act, institutions were allowed to start paying interest on corporate checking accounts for the first time since 1933. Some institutions have taken advantage of this change and now have business checking accounts that pay interest depending on the level of balances and activity.

For business with larger cash balances, the good news is that most institutions have programs that combine a business checking account with some type of interest bearing savings account. They may even have an automatic sweep provision that moves balances in excess of a pre-determined level out of a non-interest bearing checking account into an account where interest is earned. There may be a limit on the number of monthly transfers back into the checking account, but that works fine. All you do is periodically (perhaps once or twice a month) move the funds you will need back into the checking account. If you can do this online, so much the better.

If you are looking for an account where you will write a large number of checks or a payroll account for a large number of employees, be sure to discuss your needs with the institution, and they will probably have an arrangement with fees and balance minimums that will work for your business.

Depending on your needs, ATM access to the account and online capabilities may be a must.