

How to Choose the

Right Bank for Your Small Business



Success Starts Here.



First State
Community Bank

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1. Introduction

If you run a small business, you need financial services. There are [28.8 million](#) small businesses in the United States, and all of those businesses work with local banks. Precisely what banking services you need from your bank will depend on the nature of your business, but you certainly want a financial institution that is there when you need them.

Over [627,000 new small businesses](#) open in the United States each year. Small businesses added [1.9 million jobs](#) in 2015, 1.1 million of those at companies with 20 employees or fewer. Many of those small businesses are local retailers, photographers, designers, and individuals who want to market their expertise to their communities. Others are larger operations that hire regional employees. Small businesses have a huge impact on the local economy, so ideally, you want to find a bank that is part of that community. The better your bank understands your area and the people you do business with, the more in tune they will be with your business needs.

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1. Introduction



You also want a bank that can help you with financial planning to give you peace of mind and help your business grow. Your bank should provide the capital you need for expansion, help you with payroll services and tax support, and even assist with global financial transactions. Your bank should be there to help you with business decisions as a financial advisor. As your business grows, you will be faced with a variety of financial questions and challenges, and your banker should be able to offer sound advice and guidance when you need it.

In short, small business owners rely on their banks to serve as financial partners. Bank executives should understand your business and its challenges and should come to know you as an entrepreneur. As they develop a deeper understanding of your business requirements, they can be ready to offer whatever help you may need.

When a small business works with the right banking partner, everyone wins!





2. What Do You Want from Your Bank?

The same amount of care that goes into considering your options for your business logo, website design, or point-of-sale system should also be given to finding the right bank to serve your business. Your bank plays an essential role in not only securely managing your hard-earned profits, but also providing guidance on the future of your business. Take the time to shop for a financial institution, and look for one that offers the services that you need today and any services you may need later on. As your business grows, your banking needs will go beyond the checking and savings accounts you have for your personal use. You may want to have the option to borrow money, set up payroll, manage credit card transactions, and create a 401(k) retirement plan for employees.

Look for a bank that offers a variety of business banking services. Of course, most banks offer basic services, such as checking and savings accounts, money market accounts, credit cards, and online banking services. You may want to start with a business checking account. You may need reliable online services to transfer money or deal with other types of last-minute transactions. And what about wire services, merchant services, and corporate credit cards?

You should consider your bank as a long-term partner.



2. What Do You Want from Your Bank?

If possible, find one bank to meet all (or most) of your financial needs. Working with one bank is not only more convenient, but it also allows you to establish a working relationship with the bank and its executive team. You should consider your bank as a long-term partner. Over time, the professionals at your bank will come to know more about you, your business, your industry, and your creditworthiness, which could make all the difference if you need to borrow in an emergency or take advantage of a business opportunity.



3. Shop for Specific

Business Banking Services

As you consider which bank to trust to help you build your business, take a close look at specific services that relate to your business needs. There are a wide variety of banking products that could benefit your business. Even if you don't need them now, you may need them in the future, so working with a bank that knows your business and understands business banking is to your benefit.

Below are just some of the banking products you should consider as you shop for a bank for your small business.

Basic Banking Needs

Start with the basics, such as business checking and savings accounts, company credit cards, and online banking.



Business checking – A [business checking account](#) should come with a higher level of customer service than you would get with a personal checking account. For example, someone at the bank can help you by categorizing expenses and assisting with tax preparation. Some business checking accounts will have limits on cash deposits or transactions, which could be a factor if you process a high volume of small transactions. Other banks will waive monthly fees if you add a corporate credit card or maintain a minimum balance. Some business accounts will pay interest. Talk to your banker to determine what type of business checking account is best for you.

3. Shop for Specific Business Banking Services



Business savings – Not all small businesses have [savings accounts](#), but it pays to have an account that is protected by the Federal Deposit Insurance Corporation (FDIC) to hold your money. Business savings can give you access to ready cash in the event of an emergency. You can also use your savings account to put aside money for taxes or retirement. A savings account also pays interest, so your money is still earning when you aren't using it, and it can help you establish credit for your business. Ask about interest rates and restrictions on deposits and withdrawals before you decide to open a savings account.



Company credit cards – [Company credit cards](#) are a helpful way to simplify your expenses and increase your buying power. For example, you may need office equipment or have to make last-minute travel plans. Using a company credit card in these instances means you don't have to use the money in your checking account, which you may have earmarked for other expenses. When shopping for a company card, check the interest rates and fees, and ask about services such as cash advances. You also might want to consider a credit card that offers perks, such as travel points, cash back, or discounts with hotels and stores.

Business savings can give you access to ready cash in the event of an emergency.

3. Shop for Specific Business Banking Services



Deposit-only cards – [Deposit-only cards](#) work like ATM cards, but you can only use them to put money into an account. These can be useful if you want to make after-hours deposits or need to send employees to the bank. They also eliminate teller fees and simplify the process of making deposits.



Online banking – Online banking lets you handle online bill pay, account transfers, and mobile deposits. You will also be able to check account balances and perform other routine transactions from the office, from home, or by using your mobile phone.

Business Lending

Cash is fuel for your business, and you may need to borrow to take your company to the next level. Be sure your banker can help you with business lending.



Line of credit – Is the bank authorized to grant you a line of credit? Unlike a term loan, a [line of credit](#) gives you [revolving credit](#) that you can draw from your account. A line of credit can be extremely valuable if you have a cash shortfall or need to make a last-minute purchase for the business. You pay interest on the amount you actually use and pay it back over time, like a credit card.



Term loans – If you need to borrow money, your bank should be prepared to offer [term loans](#). Unlike a line of credit that needs to be renewed, a term loan is a specified amount of money given at one time and repaid over a period of time, anywhere from 1-20 years. Term loans can be useful for large expenditures, such as capital equipment. In order to be approved, you will probably have to explain why you need the loan. Check for loan interest rates, fees, and terms before you sign for a business loan.

Term Loan

definition

A specified amount of money given at one time and repaid over a period of time, anywhere from 1-20 years. Term loans can be useful for large expenditures, such as capital equipment.

3. Shop for Specific Business Banking Services



Equipment leasing – If you need capital equipment but don't want to buy it, equipment leasing is another option. Your bank should be prepared to help you lease the equipment you need with reasonable terms. Leasing should make it easier to manage operating costs and could offer a number of tax advantages.



SBA loans – Can the bank support [SBA loans](#)? Up to 85 percent of SBA loan amounts are guaranteed by the Small Business Administration and can be used for working capital, refinancing debt, or buying inventory or equipment. SBA loans are offered through local banks and generally have a lower down payment, better interest, and easy repayment terms than traditional loans, but not all banks are prepared to process them.



Other Business Banking Services

Banks that cater to small businesses offer additional services designed to make it easier to manage company finances. Cash management services, for example, can assist with managing accounts payables and receivables, as well as company taxes.



Wire transfers – If you are doing business internationally or need to transmit cash to vendors, you may need wire transfer services. Fees for wire transfers range from free to \$30 per transaction—sometimes more—so if you need wire transfers, be sure you understand the fees involved.

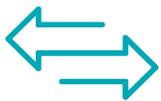


Lockbox – If you deal with a large volume of payments or large deposits from customers, you might consider a lockbox. With lockbox banking, payments are sent to a unique address or post office box where they are collected and deposited directly by the bank.



Merchant services – If you have a retail business, you will need merchant services. Banks offering merchant services allow businesses to accept credit cards and debit cards for transactions, either at the point of sale or online. [Merchant services](#) typically require a merchant bank account that can accept credit cards and electronic payments.

Banks that cater to small businesses offer additional services designed to make it easier to manage company finances.



Trade financing – Trade finance is a specific type of banking for small businesses doing [import and export](#) of goods and materials. In addition to facilitating international transactions, trade finance can include financing sales and purchases. For example, small businesses often lack the money necessary to pay for goods to import or can't wait for cash returns from exports. As a financial partner, the bank should be prepared to assist with trade financing for business transactions to ease cash flow.



Payroll services – Most banks offer payroll services. Even if you have only a few employees or it is just you and your family, payroll services can be useful for managing state and federal income taxes. Payroll services help you manage tax withholdings, benefits, and retirement savings, including tax reporting and compliance. If you plan to issue paychecks, you will want payroll services. Ask about service fees and benefits, such as direct deposit.

3. Shop for Specific Business Banking Services



Retirement plans – Consider setting up a retirement savings plan, whether you have a payroll or are just paying yourself. Any bank should be able to offer investment retirement accounts (IRAs), but can they handle 401(k) accounts and self-employment pension (SEP) plans? Your business banker should be able to help you choose the right types of retirement plans for you and your business.



Employee benefits – As you expand, you will need to offer employee benefits. Your bank can handle employee benefits administration processes, such as health insurance deductions, as well as payroll. They also can administer retirement plans, such as 401(k)s.



Commercial Real Estate

Your business also needs to find a location to set up shop. Your bank should be prepared to support you with [commercial real estate services](#), including help with office leases and rental property.



Commercial leasing – Commercial real estate entails more than just buying commercial property. Most businesses [lease their business space](#), negotiating the terms of the lease in dollars-per-square foot per year, although the terms of the lease are usually tied to the size of the business. Your bank should be prepared to help you with your lease to get you established.



Commercial mortgages – Of course, you also can purchase office or business space, which would require a [commercial real estate loan](#). As with home mortgages, banks are actively involved in offering loans on commercial properties. Most banks also assist with investment properties designed to produce income.



Commercial mortgage refinancing – If you already own a business property, you may be interested in tapping the equity to invest or to expand your business. Your banker can help you with commercial mortgage refinancing or other strategies to turn equity from commercial properties into funds for business expansion.

4. Finding the Right

Commercial Banking Partner

You will probably need only some of the many business banking services available. Before choosing a bank, it is important to focus on those bank products and services that are most important to your business and only seriously consider banks that offer all of them. These services include:

- Checking, savings, and money market accounts
- Company credit cards
- Online banking
- Payroll services
- Retirement and benefits services
- Loans and lines of credit
- Equipment leasing
- Merchant services
- Commercial real estate services
- Wire transfer and international trade services

Start with the basics, such as checking, business lending, payroll, and other commercial banking services you may need. Prioritize those services you need and shop for the right features, lowest fees, and best service.

Most of all, you want a bank that is friendly and part of your community. A local bank may be more willing to support a loan application because the money is going to be used by a local business. You want to partner with a community bank because together, you make the community better.



Success Starts Here.



First State
Community Bank

**First State Community Bank has the word
“community” in our name for a reason.**

We understand that banking and business grow together, which is why we are especially committed to innovation in small business banking. We strive to understand our business customers and their needs and to deliver superior services tailored to meet those needs. We know that it's small business that keeps local economies healthy, and it's our job to provide superior financial services to keep small businesses like yours on track.

[Learn More](#)

