



Using Business Credit Cards as a Financing Tool

Highlights

Business cards are a reliable source of capital which provide quick access to short-term cash flow needs. In addition, business credit cards offer small business owners benefits that include:

- Online reporting
- Cash flow management
- Isolating business transactions from personal finances
- Building credit history
- Rewards or points to use on other business expenses

According to the National Small Business Association, one-third of small businesses have used credit card financing in the past 12 months to meet their capital needs and it's the third most used source of small business financing behind bank loans and business earnings.

Understanding when to use business credit cards as a financing tool is important for business owners who need quick access financing for short-term needs.

Tony wanted to take his graphic design business to the next level so, when he bid on a large contract he had to offer 60-day payment terms to win it. To ramp up for the new project he had to add staff and equipment requiring an outlay of \$5,000. It would take nearly 90 days from the start of the project until the time his customer would pay the invoice. Tony's business was not established enough to qualify for a line of credit, but, because his business has been banking with the same bank for three years, he was able to qualify for a business credit card.



Tony was able to use his business credit card to cover the costs until the customer's payment came in. Since the contract was ongoing, he could expect recurring revenues each month to cover the additional staffing costs. Because of the interest costs he incurred, it wasn't an ideal way to finance his business expansion but, without the business credit card, he could have missed the opportunity. He now uses his business credit card to pay for routine business expenses, taking advantage of the 30-day float to keep more cash on hand throughout the month. Having demonstrated his ability to pay his card on time for the next year, Tony was able to qualify for a line-of-credit with his bank.

Business Credit Cards as a Financing Tool

For many small businesses, the unpredictable ebb and flow of cash in and out of the business can create temporary cash shortages which can stunt a business's ability to grow. Having a reliable source of capital can provide the financial cushion they need to help them smooth out the financial bumps as they work to expand their businesses.

For businesses on a growth trajectory, a credit card can be a handy tool in the right circumstances.

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Highlights (cont'd)

Beware the Costs of Using a Business Credit Card.

For all the benefits of a business credit card, it does come with a cost. The interest charges on business credit cards tend to be higher than on consumer cards. That's why it's important to use the card for routine expenses that are covered in your budget. With many business cards, there are fewer protections, such as return guarantees and purchase protection. Check with your bank to see what level of protection and services are offered with its business credit card.

For many small businesses, a business credit card can be the difference in trying to get to the next level.



In the right hands and under the right circumstances, a business credit card can be an essential tool for meeting short-term capital needs and managing cash flow while building business credit along the way.

Advantages of Using a Business Credit Card

In addition to providing a reliable source of capital, there are several reasons why a business credit card can be beneficial for a business owner.

Online Reporting. With online management capabilities, a business credit card makes it very easy to track expenses for both budgeting and tax filing purposes. With online record-keeping tools, it makes it much easier for a bookkeeper to track, categorize and manage expenses. At tax time, online records can be downloaded to a compatible accounting software program.

Cash Flow Management. When you use a business credit card to make routine purchases, you can improve cash flow by timing payments with customer receipts so cash doesn't leave the business until the cash comes in. By tracking daily transactions against monthly spending records online, it's easier to maximize cash flow throughout the month.

Keeping Personal and Business Separate.

A big mistake many business owners make is to mix business and personal transactions on a personal credit card. It's much harder to track business expenses and, come tax time, the IRS may disallow business expense deductions if your personal and business transactions are comingled in a personal account.

Building Credit. For many business owners, a business credit card is the first rung of the credit ladder. By paying your bills on time, paying more than the minimum due, and keeping your utilization ratio low, you will demonstrate to the credit reporting agencies as well as potential lenders you can responsibly manage credit. It's important to know that, while positive credit activities are reported only to the business credit reporting agencies, negative activities such as a default, can be reported to personal credit reporting agencies.

Rewards. Many cards offer rewards programs that businesses can use for additional purchasing power.

Know-how makes your business a success story.

For over 175 years, People's United Bank has begun every business banking relationship by taking the time to listen and learn about each individual business. That's how we're able to craft superior solutions that specifically address our customers' needs.

We recognize that successful businesses require a variety of financial services, and we deliver these services locally. Our business banking experts serve as your key point of contact. All of which sets the stage for a relationship based on trust and expertise.

Business Deposit Products

- Business Advantage Checking
- Premier Business Checking
- Business Money Market, Savings and Certificates of Deposit (CDs)
- Treasury Management
- E-Treasury+ Online Banking
- Remote Deposit Capture
- Business Mobile Banking

Business Credit Products*

- Business Credit Lines and Term Loans
- Commercial Mortgages
- Equipment Financing
- Asset-Based Lending
- Business Credit Cards with Rewards

Business Financial Services

- Merchant Card Processing¹
- Business Insurance²
- Retirement/401(k) Plan Services
- Business Succession Planning
- Workplace Banking



*Application and credit approval required.

¹People's United Merchant Services, LLC (PUMS) is a joint venture of People's United Bank, N.A. and Worldpay, LLC. PUMS is an indirect subsidiary of People's United Bank, N.A. Worldpay and People's United Bank, N.A. are not affiliated companies. All merchants are subject to credit approval.

²Insurance available through People's United Insurance Agency, a subsidiary of People's United Bank. All accounts are subject to underwriting approval.

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