How to Manage Credit Cards for Your Small Business

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Among the many factors that lead to small businesses dying big deaths is a lack of good cash flow and money management. Credit cards can ease the stress. But with so many choices available, which options are the most optimal? Here's what you need to ask yourself before making this choice.

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Differences between office and at-home plastic

Business credit cards typically have higher limits, so they give you more purchasing power for your company. They're beneficial if you can delegate spending to people you trust, because you can have multiple cards issued for the account. They may have shorter billing cycles and more frequent interest rate hikes.

Perhaps the biggest difference between personal and business options is that the personal card offers you federal consumer protections that a business version does not. Don't give up those protections lightly.

Must my company be large to apply for a card?

In most cases, you don’t have to be incorporated to qualify for a business card. You’re often good to go as a freelancer! But the credit company might want earnings records or proof you have a registered business name/DBA/EIN. Be as realistic as you would be for non-business plastic. It is tempting to consider the need to scale, but stick with what you can afford, even if you technically qualify for one of the more “elite” accounts with a sky-high limit.

How many should I get?

Having *at least* two cards can give you a mix of credit and boost your FICO score. Don’t have more than two if you struggle to pay your balances in full, because interest charges can whittle away at any rewards you might earn.

Is it a good idea to get a business card if the company is in debt?

Credit cards are attractive to entrepreneurs because they can serve as legitimate alternatives to traditional loans from a bank or credit union. If you can transfer a debt with a high-interest rate to a card that has a low interest rate, then that can be a great money-saving deal for your company. The trick is to not keep spending on the card once that transfer is complete. The goal is to pay the existing debt down, not to build it into an even higher mountain.

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Which rewards are best?

Simple cash back is always nice, but lots of cards offer category rewards. If you find one that caters to your company's niche, go ahead and get something back for the way you do business anyway. Most professionals also find travel rewards useful. Those often include airline miles, but many offer hotel, car rental or other discounts/freebies, as well.

Be aware that annual fees aren't always bad. If certain cards offer opportunities to earn accelerated rewards, then the value of those rewards could justify the annual fee. Additionally, don't view the rewards or welcome bonuses in a vacuum. These often lure you in initially when your company's hurting for a few bucks, but if the overall terms of the card aren't great, they might end up getting you into more trouble than they're worth.

What should I do with the accounts as the market changes?

You should keep credit card accounts active so that the credit card company doesn't close them. This is relatively easy if you set up automatic payments on items your business needs, or is charged for regularly anyway, such as a monthly website hosting fee. Look for cards that facilitate those kinds of integrations or – better yet – reward you for them. You may well find something significantly better. If you plan to close accounts, try to maintain the ones with the longest history and make sure that the credit card companies report that the account was closed at *your* request.

Every small business needs good financial management to be successful. If you keep your actual needs in mind, you can pick cards that align with your long-term vision without tempting you into trouble.

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