

THE BANK SYSTEM

3-Account Setup Guide

For Founders & Solo Business Owners
(0–3 years in business, \$250K–\$1M revenue)

TIME TO COMPLETE: **2 hours (setup) + 15 minutes/week (ongoing)**

RESULT: **Know exactly where your money is—always.**

A **BizGrowth Launch Resource**

Quick Reference: The 3-Account System

Print this page and keep it by your desk. This is your cheat sheet.

ACCOUNT	WHAT GOES IN	WHAT GOES OUT
OPERATING (Checking)	<ul style="list-style-type: none"> Customer payments Sales revenue Loans/investments Refunds from suppliers 	<ul style="list-style-type: none"> Vendor bills & supplies Payroll Insurance, software, utilities Transfers to Tax Account Transfers to Profit Account
TAX (Savings)	<ul style="list-style-type: none"> 20–30% of every sale Transfers from Operating 	<ul style="list-style-type: none"> Quarterly estimated taxes Annual tax payments Sales tax (if applicable)
PROFIT (Savings)	<ul style="list-style-type: none"> Profit after operating costs Extra revenue not needed for ops 	<ul style="list-style-type: none"> Owner draws (your pay!) Business reinvestment Emergency fund

THE ONE RULE: Never touch the Tax Account for anything except taxes. Treat it like it doesn't exist.

Why This Matters

Here's the most dangerous mistake founders make: **They mix personal and business money in one account.**

Or worse: they have one business account and treat it like a personal account. They pay themselves randomly. They can't tell if the business is actually making money. When tax time comes, they panic.

By then, it's too late.

There's a simple fix: three separate accounts. Not complicated. Not expensive. Just clear.

Here's Why This Changes Everything

1. **You'll actually know if you're profitable.** No guessing.
2. **You won't accidentally spend tax money.** It's set aside, untouchable.
3. **Your accountant won't hate you.** Setup time: 1 hour. Savings: hours of cleanup at tax time.
4. **You'll sleep better.** You'll know where your money is.

The Three Accounts Explained

Account #1: Operating Account (Where Business Happens)

What it is: This is your main business checking account. All money in, most money out.

What Goes In

- Customer payments and sales revenue
- Loans or investor money
- Refunds from suppliers

What Goes Out

- Vendor bills and supplier payments
- Payroll (if you have employees)
- Insurance, software, utilities
- Marketing and advertising
- Equipment and supplies
- Transfers to your Tax Account (weekly or monthly)
- Transfers to your Profit Account (if the business is doing well)

How to Manage It

- Use this for daily operations only
- Connect it to your accounting software (QuickBooks, FreshBooks, Wave, etc.)
- Reconcile it every week or month
- **Never use it for personal expenses**
- Keep enough to cover 2 weeks of operating expenses

RED FLAG: If you dip into this account for personal stuff, you won't know what your business actually spent.

Account #2: Tax Account (Your Safety Net)

What it is: A separate savings account where you set aside money for taxes before you spend it.

Why it's critical: Most founders don't realize that profit on paper is NOT the same as cash in hand. You can make \$10,000 in profit but still owe \$3,000 in taxes. If you spent all the cash, you're in trouble.

How Much to Set Aside?

This depends on your business type and tax situation. Here are rough guidelines (talk to your accountant for your exact number):

Business Type	Set Aside	Note
Sole Proprietor or LLC	25–30%	Of profit (safe starting point)
S-Corp or C-Corp	Varies	Consult your accountant immediately
Service business (no inventory)	20–25%	Conservative approach: safer
Product business (with inventory)	15–20%	Inventory affects tax differently

RED FLAG: If you ever dip into the Tax Account for business expenses, you've defeated the purpose. Treat this account like it doesn't exist—because for you, it shouldn't.

Account #3: Profit Account (Your Real Income)

What it is: A savings account where you put aside profit for yourself.

Why most founders skip this: It feels selfish. "I should reinvest everything." Or they say, "I'll take profit at the end of the year."

Why you shouldn't skip it: If you don't deliberately set aside profit for yourself, you'll spend it on the business. And you won't know how much you actually earned.

How Much Should You Take?

This is personal. But here's the framework:

- Minimum: Enough to cover your personal living expenses (rent, food, insurance, car)
- Good: 50% of remaining profit after taxes
- Better: 50% to you, 50% to business reinvestment

RED FLAG: If you're not taking any profit, you're either:

1. Not yet profitable (that's okay, you're early)
2. Reinvesting everything (okay short-term, but eventually you need income)
3. Afraid to touch it (you're sabotaging yourself)

Setting Up Your Three Accounts: Step-by-Step

Step 1: Choose Your Banks

You can use the same bank for all three accounts, or different banks. Here's what matters:

Essentials

- No monthly fees (or fees you're okay with)
- Easy transfers between accounts (especially if at the same bank)
- Integrates with accounting software (QuickBooks, FreshBooks, Wave, etc.)
- Mobile app so you can check balances anytime
- Customer support that doesn't make you want to scream

Good Options for Founders

- Mercury – Built for startups, clean interface, easy integrations
- Brex – Great for SaaS and tech, but may not work for all businesses
- Chase Business – Widely available, integrates with everything
- Bank of America – Solid, large network, multiple locations
- Local credit union – Sometimes cheaper fees, personal service
- Relay – Designed for small business, no fees, easy sub-accounts

PRO TIP: Start with one bank. Add a second bank only if it makes sense (like if your tax accountant recommends it).

Step 2: Name Your Accounts Clearly

When you open each account, give it a name that makes the purpose obvious. This sounds silly, but it matters. When you log into your banking app and see three accounts, you need to instantly know which one is which.

Account	Bank Name	Your Note
Operating	Main Business Checking	<i>"Daily ops, vendor bills, payroll"</i>
Tax	Business Savings	<i>"Tax money only – DO NOT SPEND"</i>
Profit	Profit & Reinvestment	<i>"Owner draws and growth fund"</i>

The Weekly Money Ritual: 15 Minutes That Saves Stress

Once your accounts are set up, add this to your weekly routine. Every Friday (or your chosen day), spend 15 minutes:

1. Open Your Operating Account (2 min)

- How much money came in this week?
- How much did I spend?
- Do I have enough for next week?

Alert: If balance is below 2 weeks of expenses, take action (invoice faster, cut costs, or pause spending)

2. Check Your Tax Account (2 min)

- Is the balance growing?
- Rough math: Does it match your taxes owed?
- If not growing: Did I forget to transfer this week?

3. Check Your Profit Account (2 min)

- Is there profit accumulating?
- When will I take a draw? (monthly, quarterly, or when needed)

4. Reconcile Against Accounting Software (5 min)

- Do the bank balances match your software?
- Any transactions I didn't log?
- Any errors?

5. Make Transfers if Needed (2 min)

- Did automatic transfers go through?
- If you do manual transfers, do it now

6. Note One Action Item (1 min)

What's the one thing I need to do next to improve cash flow?

- "Follow up on late invoice from Client X"
- "Negotiate lower rate with Vendor Y"
- "Plan for Q1 tax payment"

WHAT YOU'LL NOTICE:

Month 1: "Wait, I only have \$200 left? This is scary."

Month 3: "Oh, I can see the pattern. I always spend more in week 2."

Month 6: "I'm building profit. I can finally take a small draw."

Month 12: "This is working. I know exactly where my money is."

5 Mistakes to Avoid

Mistake #1: "I'll Just Use One Account"

Why it fails: You can't tell the difference between profit and cash. You spend money on the business thinking it's profit. Tax time arrives and you're shocked.

What to do instead: Set up three accounts. Yes, right now. It takes 2 hours.

Mistake #2: "I'll Set It Up Later"

Why it fails: Later never comes. Six months pass. Your accountant says, "Where's your tax money?" You say, "I spent it."

What to do instead: Set up accounts this week. Seriously.

Mistake #3: "My Tax Account is an Emergency Fund"

Why it fails: One slow month, you dip in. Then another month. By tax time, it's gone.

What to do instead: Keep tax money sacred. If you need an emergency fund, open a fourth account.

Mistake #4: "I Don't Take Profit Because I'm Reinvesting"

Why it fails: You work for free indefinitely. You burn out. You can't afford your own life. Then you close the business.

What to do instead: Take some profit, even if it's small. \$500/month is better than \$0. You deserve to be paid.

Mistake #5: "I Don't Need an Accountant; I'll Figure It Out"

Why it fails: Taxes are complicated. LLC vs. Sole Proprietor vs. S-Corp affects everything. You save \$500 on accounting fees but pay \$5,000 extra in taxes.

What to do instead: Hire a CPA or bookkeeper for 1 hour. Have them review your setup. It will cost \$150–\$250 and save you thousands.

Your Accountant Needs to Know

Before you set up your accounts, send your accountant (or future accountant) this list of questions:

1. **"Should I be a Sole Proprietor, LLC, S-Corp, or C-Corp?"**
This changes everything about taxes and how you pay yourself
2. **"What percentage of revenue should I set aside for taxes?"**
Get a specific number, not a range
3. **"Do I need a separate business account?"**
In most cases, yes. But they'll confirm.
4. **"What's the best way to track and pay estimated quarterly taxes?"**
They may recommend a specific structure or software
5. **"Should I set up payroll if it's just me?"**
Some business types require payroll. Others don't. Ask.
6. **"When should I hire a bookkeeper?"**
Maybe not month 1, but definitely before month 12

How This Fits with Your Other BizGrowth Tools

You don't use these tools in isolation. They work together:

Tool	How It Connects
Profit Per Sale Calculator	Calculate profit per sale → Know what % goes to taxes → Set aside that amount in your Tax Account
13-Week Cash Flow Tracker	Track cash in and out → See problem weeks → Adjust transfers to Tax and Profit Accounts
Runway Scenario Planner	Model "what if" scenarios → Your 3-account system stays stable during tough times → Tax money stays safe
Emergency Brake Script Kit	In a cash crunch? You know exactly what's in each account → Never touch tax money → Have clear numbers for creditors

Action Checklist: Do This This Week

Print this page. Check off each item as you complete it.

- Today: List your three account names (Operating, Tax, Profit)
- Today: Choose your bank(s)
- Tomorrow: Open your three accounts (online, takes 15 minutes per account)
- Tomorrow: Set up automatic transfers (weekly or monthly)
- This week: Schedule a 30-minute call with a CPA or bookkeeper (\$100–\$150 well spent)
- This Friday: Do your first weekly money ritual (15 minutes)
- Ongoing: Every Friday, same time, same 15 minutes

THE FINAL TRUTH

Money in one account = chaos.

Money in three accounts = clarity.

Clarity = confidence.

Confidence = a business that survives.

Now go set up your bank system.

Additional Resources

BizGrowth Launch Tools

- Profit Per Sale Calculator – Figure out what profit you should be making per sale
- 13-Week Cash Flow Tracker – Track cash in and out week by week
- Runway Scenario Planner – See how long you can survive at different spending levels
- Emergency Brake Script Kit – Know what to say when cash gets tight

For Accounting Help

- Find a CPA: Search "small business CPA near me" or ask your business network
- SCORE Mentors: Free mentoring from experienced business people (SCORE.org)
- Bookkeeping software: Wave (free), QuickBooks (paid), FreshBooks (paid)

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This guide is educational. Consult a CPA or tax professional for specific advice about your business structure and tax obligations.