

Why Should I Separate My Personal Credit from My Business Credit?

Most people who want to start up their own businesses today usually make use of personal resources to finance their ventures. They either utilize their savings, loan money from significant others or even use up their retirement funds.

Due to mixing their personal accounts with that of their business' transactions, these people often risk utilizing their major assets for collateral, give personally guaranteed business mortgages, and so on. They often end up pushing their personal credits to the limit. And whenever this happens, they are left to compromise their personal financial security.

It is sad to say, however, that a significant percentage of small firms operate through personal credit cards. What these people should actually know and should be doing in running their ventures is how to separate their personal credit and their business credit and how life saving this can be, not only for the company, but for their personal assets as well.

The use of credit cards in small businesses is currently on the rise. What this does is that it protects both of the entrepreneur's personal as well as business assets and allows opportunities for better growth and organization to the company.

Personal Advantages in Using Business Credit

Through separating the personal account with the firm's business account, one is able to protect private assets in case something goes wrong with the financial status of the company. In that way, one's personal security (especially for those with families) would not have to be compromised.

In instances wherein a firm that goes bankrupt does not have corporate credit, one can be held responsible for any of the company's expenditures both legally and personally. Separating accounts would entail one to give added protection on savings and properties that one worked hard for in a long time.

Corporate Advantages in Using Business Credit

Owning a business credit could also improve the financial flow of one's company as well as help the company grow. One very good advantage is being able to save a lot of money. By having a good credit profile for the company, business owners have the option of lowering interests for leases and loans. It also becomes easier for the company to add more employees, raise inventory and attain

discounts for goods.

Aside from this, it keeps the company's financial transactions organized as one can more conveniently keep track of the firm's expenditures, which also gives an easier means to monitor accounting and tax transactions. Most importantly, a company with a stable and reliable account would be able to attract more investors and would have a more organized cash flow system.

For any person who wants to start a business, it is important to be smart and practical in handling finances. By using a separate credit account for that small company, one does not only protect assets, but one also increases the chance of the small business to grow and actually earn more.

The use of such credit accounts will help one's company to improve by saving much time, money and effort. This will even open opportunities for the business to gain the finances that it needs and develop the company's credibility.

In conclusion, any smart entrepreneur wanting to succeed in business ventures at the same time protect private resources will surely learn to separate his personal credit from his business credit.