

PATHWAYS TO PROFIT

Credit cards: Nightmare scenario or dream maker?

Credit cards can be an important business tool or a financial nightmare. You've heard the stories about how destructive credit card debt can be.

Whether for personal or business use, approach any credit card debt with caution. The rules for both apply - spending must be managed and balances should be paid off monthly. Aside from those obvious rules, what else should you do to ensure you maintain a healthy relationship with your credit cards?

Shop for best deal

There are several Web sites that will do a lot of the work for you. You can search and compare credit card offers from multiple institutions. The rates, benefits, credit limits and approval process will vary - choose the one that best fits your needs.

And don't forget to check in with your business bank. Your existing relationship may qualify you for a lower rate or an expedited approval process.

Find the best card for you and stick with it

Managing too many cards can complicate tracking of expenditures and payments and can potentially have a negative impact on your credit rating. You can also maximize rewards and cash-back benefits by consolidating your purchases on one card.

More than two-thirds of small businesses report using credit cards for expenses; however, less than half use a business credit card.

These cards are specifically designed with the needs of business owners in mind. Most offer year-end statements with your expenses itemized and categorized - ready to hand off to your tax preparer. You can also order cards for your employees with pre-set limits.



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And there are many discount and reward programs that you can use to reduce expenses. Cash back, travel and office supplies are among the many possible awards you can receive based on your purchases.

Manage your card wisely

Use your business credit card for business expenses only. Personal transactions should be handled on a separate card to avoid the tax and money management issues that arise when business and personal expenditures are not clearly delineated.

Be sure to review your employees' statements to monitor their spending. Pay off the balance each month and pay on time! Late fees and interest rates can be steep, and a poor payment record will lower your credit score.

Don't use the cash advance option. This is usually an expensive source of cash. Go online to make payments and save time and postage.

Yes, credit cards can be an incredible business tool. They are one of the last sources of "float" - the ability to delay payment at no cost to you by utilizing the time it takes to process the transaction. The majority of credit cards offer a 21-day grace period on your purchases, which can prove to be a real boon to cash flow.

Checks are now clearing at warp speed, virtually eliminating the benefit of floating that they once offered.

Sleep well

Credit cards do not have to become a financial nightmare. Use them to your advantage. Employing the discipline we outlined above, credit cards can help you realize your business dreams.

Manage the rest of your business affairs with the same level of discipline and you'll find yourself on a path to greater profitability.

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