

Maximize the Structure of Your Accounts

By Bob DeAlmeida
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Over the past 20 years, I've seen it all. I've seen everything from extremely successful business owners with a single checking account to mom-and-pop storeowners with a separate account for every expense category so that they would never have to reconcile their books (if any books even existed). In either case, these owners were hindered by the structure of their accounts.

I'll admit, sometimes a checking account is all you need, however if you have a good banker, they will get to know your business before he or she makes any recommendations on how to structure your accounts. For example, if you have a large sum of cash sitting in a checking account that isn't part of your regular outgoing expenses, it's time to look into interest-bearing accounts or what we bankers call a "sweep" account. With a sweep account, any amount over the target account balance you choose is swept into a money market fund each night. Your cash remains fully available to you during business hours, and the excess starts working for you right away with minimal effort on your part.

However, managing your excess cash is not the only way to maximize the structure of your accounts. Protecting them against fraud can reduce your overall account liability risk. For instance, are you in an industry subject to a lot of employee turnover? Do you have a large number of payroll checks floating around with your account number on them? If so, you might consider a zero-balance account. This is an account that holds no funds, and is funded by the operating account only when a check is presented. Still, another option is to hire a company to handle the payroll, and then the risk transfers to them altogether. This is accomplished by sending them your bulk payroll electronically from an account that holds only payroll funds, and then they issue the paychecks

to your employees with an account number issued by them. Risk is reduced and the chance for fraud is almost eliminated.

Nevertheless, the most important way to maximize the structure of your accounts is to develop a relationship with your banker. It is important to meet with them not only at the beginning of the relationship but also quarterly or annually as your business grows. This way they will be able to learn about your business, make recommendations and truly be an advisor to your team. Because what may have worked for your business a year ago may not make the most sense today.

ABOUT BOB DEALMEIDA



Bob DeAlmeida is president and CEO of Hamilton Bank, which operates five Maryland locations and meets the complete banking needs of small businesses, retailers, consumers, and homeowners across Greater Baltimore.

MORE INFORMATION

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