

FDIC



Financial
Education Curriculum



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DISCLAIMER

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Getting Started



Use this guide to help teach this training in an informative, engaging, and effective manner.

You can customize the information in *Banking Services Available for a Small Business* to meet the needs of your audience. However, it is usually a good idea to include:

- **Introductions.** Allows you to “break the ice,” create active instructor-participant dialogue, and set the tone for the session.
- **Agenda and Ground Rules.** Helps participants understand how the training will be conducted.
- **Expectations.** Gives participants the opportunity to tell you what they expect to learn from the training.
- **Objectives.** Helps participants place the information to be learned in the proper context and ensures that the content is consistent with their expectations.
- **Explanation of Participant Guide Format and Contents.** Serves to keep participants on track with the presentation.
- **What Do You Know? Form and/or Pre-Test.** Helps you and training participants to determine what they already know or do not know so you can customize the presentation accordingly.
- **Discussion Points.** Helps participants to reinforce learning.
- **What Do You Know? Form and/or Post-Test.** Helps you and training participants to gauge how well participants have learned the presentation content, giving you an indication of what content to review, if any, and what additional materials participants may want to review on their own.

Icons

The following icons may be used throughout this instructor guide to indicate an activity type.



Presentation

Present information or demonstrate an idea.



Discussion

Facilitate a discussion about a topic as directed.



Review

Refer participants to and summarize material provided in the Participant Guide.



Assessment

Direct participants to take a short test.



Ask a Question

Present a problem or question for discussion.

Training Overview

Purpose

The *Banking Services Available for a Small Business* presentation provides an overview of business banking services.

Objectives

After completing this training, you will be able to:

- Identify the banking services commonly available to a small business, including:
 - Business checking
 - Business debit cards
 - Business credit cards
 - Financing receivables and purchasing inventory
 - Lines of credit
 - Term loans
 - Cash management services
 - Expanding business capabilities, such as accepting credit, debit, and gift cards and enabling online payments
 - Merchant services
 - Payroll processing
 - Financing fixed assets such as equipment and real estate
 - Wealth management (SIMPLE IRA, 401(k), and SEP)
- Explain how these banking services work.
- Identify the advantages and disadvantages of each of the banking services.
- Explain how small business owners decide which banking services are best for their businesses.

Presentation Time

Each topic has an approximate completion time. Use the suggested times to personalize the training based on your participants' needs and the given time period. Allow extra time for discussion and questions when teaching larger groups.

Materials and Equipment

The materials and equipment needed to present this training are:

- Instructor Guide
- Participant Guide
- PowerPoint presentation (FDIC_SBA_BANKING_SERVICES.pptx)
- Audiovisual equipment (such as a computer with Microsoft Office PowerPoint, overhead projector, and microphone, if appropriate)

Training Discussion Points

- Discussion Point #1: Banking Services
- Discussion Point #2: Banking Services Needs

Presentation

Instructors Notes

5 minutes



Slide 2

Introduce yourself and share a little of your background and experience. Record participants' expectations, questions, and concerns on chart paper. If there is anything you will not be teaching, tell participants where the information can be obtained. Check off their responses at the end of the training to show expectations were met.



Review Participant Guide contents and organization with participants.

Welcome

Welcome to *Banking Services Available for a Small Business*. By taking this training, you are taking an important step to building a better business.

Agenda

We will discuss concepts, complete an activity, and have time for your questions. There will be at least one 10-minute break during the class.

Ground Rules

If you have experience or knowledge in some aspect of the material, please share your ideas with the class. One of the best ways to learn is from one another. You might be aware of some method that has worked well for you or some pitfall to avoid. Your class contribution will enhance the learning experience.

If something is not clear, please ask questions!

Introductions

Before we get started, I will share a little about myself and I would like to know a little bit about you. As you introduce yourself, state:

- Your expectations
- Questions and/or concerns about the training content

Participant Materials

Each of you has a copy of the *Banking Services Available for a Small Business Participant Guide*. It contains information and discussion points to help you learn the material.

What questions do you have about the training overview?

Presentation

Instructors Notes

Objectives

After completing this training, the participants will be able to do the following:

- Identify the banking services commonly available to a small business, including:
 - Business checking
 - Business Debit Cards
 - Business Credit Cards
 - Financing Receivables and Purchasing Inventory
 - Lines of Credit
 - Term Loans
 - Cash Management Services
 - Expanding Business Capabilities (Accept Credit, Debit and Gift Cards, Enable Online Payments)
 - Merchant Services
 - Payroll Processing
 - Financing Fixed Assets: Equipment and Real Estate
 - Wealth Management (SIMPLE IRA, 401(k), SEP)
- Explain how these banking services work
- Identify the advantages and disadvantages of each of the banking services.
- Explain how a small business owner decides which banking services are best for his or her business

Objectives

- Know how banking services commonly available to a small business work including:
 - Business checking
 - Payroll processing
 - Merchant services
 - Business loans
 - Cash management services
- Explain how to select the best banking services for your business



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Slide 3

Presentation

Instructors Notes

10 Minutes



Slide 4

Use the What Do You Know? Form and/or the Pre-Test to gauge participants' prior knowledge of the content in order to customize your presentation, focusing on content with which they are least familiar.

What Do You Know?

Before we begin, let's see what you know about banking services for a small business.

[If using the What Do You Know? Form]

The *What Do You Know?* form on page 4 of your participant guide lets you compare how much you know before the training and how much you learned after the training. Please take a few minutes now to complete the "Before Training" column. Which statements did you answer with "Disagree" or "Strongly Disagree?" **[Note: If time is limited, make sure you cover these content areas.]** We will complete the second column when we finish the training.

[If using the Pre-Test]

Take a few minutes to complete the Pre-Test beginning on page 5 of your participant guide. Which questions were you unsure of or were unable to answer? **[Note: If time is limited, make sure you cover these content areas.]**

As we progress through the training, you will find out if you answered each question correctly.

What Do You Know? Banking Services Available for a Small Business

Instructor: _____ Date: _____

This form will allow you and your instructors to see what you know about business banking services both before and after the training. Read each statement below. Please circle the number that shows how much you agree with each statement.

	Before Training				After Training			
	Strongly Disagree	Disagree	Agree	Strongly Agree	Strongly Disagree	Disagree	Agree	Strongly Agree
I can:								
1. Identify the banking services that are commonly available to a small business.	1	2	3	4	1	2	3	4
2. Explain how these banking services work.	1	2	3	4	1	2	3	4
3. Identify the advantages and disadvantages of each of the banking services.	1	2	3	4	1	2	3	4
4. Explain how a small business owner decides which banking services are best for his or her business.	1	2	3	4	1	2	3	4

Pre-Test

Test your knowledge of banking services before you go through the training.

1. Which of the following are the basic business checking account types? Select all that apply.
 - a. **Small business account**
 - b. Savings account
 - c. **Commercial account**
 - d. Investment account

2. Which of the following best characterizes a “zero balance account”?
 - a. **Account is maintained with no funds until checks are written**
 - b. A new account
 - c. A closed account
 - d. Account with funds that are withdrawn until no funds remain

3. Purchases and receipts for your business should be kept separate from your personal ones.
 - a. **True**
 - b. False

4. Which of the following is true about a Certificate of Deposit (CD)?
 - a. Typically it pays a higher interest rate than a savings account
 - b. A one-time withdrawal is allowed on a penalty-free CD
 - c. Account maturity term is usually 72 months
 - d. **Both a. and b.**
 - e. All three: a., b., and c.

5. CDs are sometimes used as loan collateral.
 - a. **True**
 - b. False

6. Which of the following is a common advantage of online banking?
 - a. Normally information is updated frequently so activity is viewable within minutes
 - b. Check images may be available for viewing
 - c. Eliminates research charges for check copies and past statements
 - d. Both b. and c.
 - e. **All three: a., b., and c.**

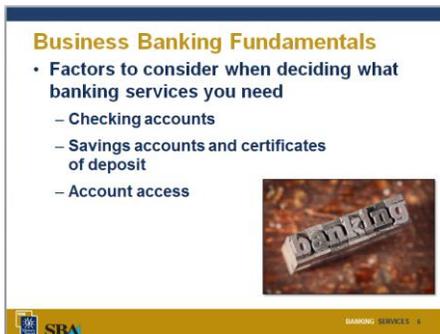
7. If a business becomes a victim of online theft, there is a chance that the money may not be recoverable and the bank may not be responsible for the loss.
 - a. **True**
 - b. False

8. Deposit accounts should be reconciled at least _____.
- a. Daily
 - b. Weekly
 - c. **Monthly**
 - d. Yearly
9. Only an account *signer* is authorized to conduct transactions with a debit card.
- a. **True**
 - b. False
10. With a term loan, the purpose of the loan will typically determine the length of the financing.
- a. **True**
 - b. False

Instructor Notes

Presentation

25 minutes



Business Banking Fundamentals

- Factors to consider when deciding what banking services you need
 - Checking accounts
 - Savings accounts and certificates of deposit
 - Account access



 BANKING SERVICES 4

*Slide 5***Business Banking Fundamentals**

There are many services available to the consumer and small business owner. With technological advances, these services are constantly changing. Before we talk about the types of bank accounts listed on the screen, let's discuss how to choose the right bank.

What do you need?

To help with the process of identifying your banking needs, consider the following questions:

- Do I need to regularly pay employees or vendors?
- Do my customers generally pay me via check, credit card, electronic transfer, or in cash?
- Do I want to be able to download statements and transactions into a software program?
- Will I need to make deposits after banking hours? If so, do I need a night depository bag with locks or a remote deposit scanner?
- What are my cash needs?
- Does my business need a lot of change or small bills? What are the fees to buy cash from the bank?
- What are my loan needs?
- Do I need start-up funds, an SBA loan guarantee, a line of credit, or a minimum business loan to build credit?
- How helpful would it be to have a banker who understands any unique aspects of my industry or profession?

Instructor Notes

Presentation

Discussion Point #1: Banking Services

Discuss the banking services you need.

What are some of the services you will try to find in a bank? If you do not currently have a bank for your small business, what do you plan to look for as you are searching for a bank?



Slide 6



Refer to the participant guide.



Slide 7

Choosing the Right Bank

Consider your unique needs and preferences when choosing the right bank and bank accounts. For example, perhaps you need to make deposits into your account through an ATM after normal banking hours. Most banks will list their core products and minimum balance requirements on their websites. Call your bank or a few in your area and ask for an appointment to meet with the branch manager, a bank officer, or a commercial lender. Discuss the needs of your business and request their input. They can direct you to the right services to meet your needs. Here are a few factors to consider as you choose what is best for your needs.

What is the bank's customer service like?

Perhaps you already have a relationship with this bank or know someone who is pleased with the bank's customer service. A good relationship with a key person at your bank can help you establish or increase credit, save you money in fees, and enhance your business opportunities through taking advantage of the banker's extensive personal contacts. Establish a list of key people with whom you can discuss banking services such as deposit, loan, online, and investment services. Ask if the institution has a track record of catering to small businesses and how many small firms it serves.

Instructor Notes**Presentation**

Find out if it has a special unit dedicated exclusively to small business needs. Ask yourself if the representative who meets with you seems genuinely interested in your business and the market you serve. Ask other small business owners about institutions they recommend.

How accessible is the bank you plan to visit?

Businesses spend hours or days going to the bank each year so choose a bank that is accessible for you. Consider whether the bank needs to be within walking distance. If you'll be driving to the bank from a home-based business, determine whether parking is plentiful. If you will be regularly carrying cash deposits into the bank, be sure you would be comfortable walking from where you would park into the branch. If you plan to use the drive-through, ask the bank if there are any restrictions on transactions that can be made at the drive-through window.

Do the banking services meet my needs and what are the costs?

Evaluate the services of each bank you are considering by reviewing the bank's product brochures, funds availability disclosures, and fee sheets. Compare these to your business needs. Find out how you may be able to get fees waived, perhaps such as by consolidating multiple accounts at the bank.

You should also find out how long it will take before you can access your deposited funds because waiting for checks to clear may impede your cash flow. Writing a check when you do not have funds available to cover the deposit will likely lead to costly charges.

Is the bank FDIC-insured?

Take time to verify that the bank is FDIC-insured. And, understand your coverage limits. FDIC insurance covers all deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit. The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. FDIC offers interactive deposit insurance estimator tools at <http://www.fdic.gov>. The National Credit Union Administration (NCUA) protects any deposits you may have in a federally insured credit union just as the FDIC protects your insured deposits in a bank deposit account.

Instructor Notes

Presentation

Business Banking Fundamentals

Checking accounts

- Small business or commercial checking
- Payroll and operating accounts – “Zero balance” feature (sweeps) and fees

Separate business and personal checking
No “co-mingling”



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Checking Accounts

Banks may have different names for their checking accounts and the checking account products offered and their features differ. Ask your bank representative to explain the account types to be certain you select the proper checking account product(s) to meet the needs of your business.

Small business checking account

A small business checking account will generally allow fewer fee-free transactions, including deposits and checks, on a monthly basis. This account usually has a lower minimum balance requirement than other business checking accounts.

Commercial checking account

A commercial checking account is geared for a higher volume of transactions and has a larger minimum balance requirement. To assess fees, commercial checking accounts are often set on an analysis schedule. Each month the system monitors the account for balances and transactions. The bank assesses charges at the end of the statement cycle based on the number of checks, deposits, number of checks in the deposits, cash purchased from the bank, remote capture scanner rent, and other fees listed on the bank’s fee schedule. Also at the end of the statement cycle, the bank may pay you interest or give you an earnings credit to offset fees.

Compare the checking account packages offered by different banks to find what’s best for you.

Once you open up your checking account, know the rules governing checks, as they depend largely on the law of your state. For example, many states have adopted the Uniform Commercial Code, which generally holds the bank — not the account owner — liable if someone forges a signature on a check. But that doesn’t mean you could never be liable for losses. In general, you can protect yourself from liability by securing your checks, thinking carefully about who in your business has access to blank checks, reviewing your statements when they arrive (or more frequently via online access), and reporting any problems to your bank immediately. Your deposit account agreement may include more information about your liability for forged checks, so read it closely. And for legal advice, ask an attorney.

Instructor Notes

Presentation

Don't Mix Business & Personal Transactions

Keep business and personal transactions separate. This is necessary for accurate record keeping, will help you at tax time, and may even be required depending on your corporate structure. If you are placing business funds into a personal account to avoid fees, change it. It is simply too difficult to separate transactions for bookkeeping purposes. In addition, checks payable to a business must be deposited to the named business account on the check. Finally, banks monitor account activity for protection and reporting purposes, so you may be asked to move the funds to a business product if you use the same account for business and personal transactions.

If you need to transfer funds to your personal account, the check should be payable to you or a transfer request should be made to your bank. This generates a record of the activity.

Additional Banking Services
Payroll services

- Prevent potential fraud or forgeries
- Record keeping
- Direct deposit

SBA

Slide 9

Payroll Services

Bank payroll services can help cut down on the number of checks issued and the potential for fraudulent or forged payroll checks. These services permit entry of payroll, retirement, and worker's compensation insurance payments, as well as federal and state taxes. Numerous reports can be generated for your records. The reports can include summaries for each employee, the entire payroll, or a history with date ranges and data filters.

Payroll can be direct-deposited to the employee's account. If your business has employees who do not have a bank checking or savings account, talk to your bank. Many banks will be happy to work with you to provide direct deposit for these employees. For example, they may be willing to meet with your employees to open free or low-cost checking accounts. Many banks have products to meet the needs of those who need a second chance checking account. These accounts are opened for individuals whose names appear on a check reporting agency report for a former problem account.

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Additional Banking Services

Cash management services

- Sweep investment account
- Other sweep accounts
- Online funds transfer
- Lockbox service
- Positive pay

Ask your Bank



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Cash Management

Many businesses find it helpful to have an operating account and a payroll account. To ease the burden of conducting transfers to a payroll account, most banks can set up a sweep feature on your operating account that links to your payroll account. This is known as a “zero balance” feature. With this feature, you only make deposits to your operating account and you only write payroll checks out of the payroll account. As each paycheck is presented to the bank, the system totals the checks and moves exactly that amount to the payroll account from the operating account. This helps to prevent fraud. By monitoring the sweeps, you would quickly know if amounts were greater than your payroll. This could be an indication of an error or highlight an altered or forged check. Remember, the payroll account will remain at zero at the end of each day’s processing. Be sure to ask your bank representative if an account with a “zero balance” feature will be charged fees. If you prefer to make transfers to payroll yourself, consider establishing online access.

A sweep investment account is used to earn interest on larger balances. The agreement sets up two accounts, with a required minimum balance in the primary account. This balance is determined by the bank, based on reserves. All funds are deposited into the main account, but amounts over the minimum are swept daily into the overnight investment of securities. These investment securities are not covered by FDIC insurance. Checking accounts may be coded to sweep funds from a line of credit or to make payments to the line or business loan.

For more information, ask your bank for a list of its cash management services and related fees.

Business Banking Fundamentals

Savings accounts and certificates of deposit

- Savings accounts – limitations on withdrawals and types of accounts
- Certificates of deposit



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Savings Accounts and Certificates of Deposit

Having a savings account helps to build a cushion for unexpected needs. Setting aside money also shows your lender that you are reserving cash.

Savings Accounts

Savings accounts have limitations on the number of withdrawals permitted each month. Ask the bank representative to explain the available types of savings accounts, any fees, and the rules that apply to how you can use the

Instructor Notes

Presentation

Business Banking Fundamentals
Savings accounts and certificates of deposit

- Savings accounts – limitations on withdrawals and types of accounts
- Certificates of deposit



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Slide 11

account. For example, repeatedly exceeding the maximum number of withdrawals during a monthly cycle may require the bank to close the account or necessitate moving the funds to another type of account.

Certificates of Deposit

With the traditional FDIC-insured certificate of deposit (CD), you agree to keep the money in an account for a few weeks to several years. In return, the bank agrees to pay you a higher interest rate than you would receive from a checking or savings account. If you need to withdraw the money before the CD matures, you would pay a penalty. However, the traditional CD now is only one of the choices. Now you may be able to add money to the CD, switch to a higher interest rate or withdraw money early without a penalty. Most banks will require you to deposit at least \$500 into a new CD, but some will allow you to open one with a smaller deposit.

The rates, terms, and features for CDs may vary significantly from bank to bank. It pays to shop around.

CDs are sometimes used as loan collateral or held for bank-issued letters of credit. If you need to build a credit history for your business, check with your bank whether a CD-secured loan is an option.

Business Banking Fundamentals
Business account access

- Depositing sales with remote deposit scanner
- Online access

Beware!
Online Theft



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Account Access

Online banking allows businesses to conduct nearly every facet of their banking business without entering the bank. However, authorization, viewing, and transaction limitations apply. Banks set up access and issue keys for logins after the completion of authorization forms. The authorization process may vary slightly between banks. You may want to set up levels of access for your employees to view or transact business, if you decide to allow your employees to use online banking.

One advantage of banking online is that information is normally updated throughout the day, so you can view account activity within minutes of the activity. Another advantage is that the front and back images of checks, and previous statements are often available. This eliminates charges for services to provide copies of lost checks and past statements.

When banking online, you want to take steps to avoid fraud. If your business

Instructor Notes**Presentation**

becomes a victim of online theft, there is a chance that the money may not be recoverable and the bank may not be responsible for the loss. You should partner with your bank to create and maintain secure banking practices.

Direct Deposit, ACH debit and credit processing, and wire transfers

Direct deposit, ACH debit and credit processing, and wire transfers provide for quick online transfer of funds. You can generate these from your office for purchases, transfers to other businesses, and to pay employees.

Lockbox Services

Lockbox services permit you to focus on doing business while payments customers mail to you are processed by the bank. Your customers will send checks or other payments to a special address that the bank assigns to your business. The bank will process and credit them to your account and provide a record to you.

Remote Deposit Capture

Don't feel like walking or driving to your bank to deposit a check? Rather not spend the time and the money to mail it in? You have a relatively new option at some banks — the ability to "deposit" paper checks electronically over the Internet. What you need is a scanner (to capture an image of the check) and a personal computer (to securely transmit the image online), or a cell phone equipped with a digital camera that can do similar duty. Banks may also issue a scanner based on the volume of checks the business deposits. High speed scanners help to process large numbers of checks, but for businesses processing twenty checks a day, the slower model may be more appropriate.

Known in the banking and technology industries as "remote deposit capture" or RDC, this service is mostly marketed to small businesses that typically are paid by check and want to be able to quickly deposit those payments. RDC allows you quicker access to the funds because checks deposited over the Internet are generally available in one or two business days as opposed to five business days for regular paper checks.

Instructor Notes

Presentation

20 Minutes



Slide 13

Additional Banking Services

Business debit cards

The business debit card allows your business to make online purchases or point of sale purchases without the use of credit. This card also allows for cash withdrawals at ATMs.

Debit cards are most often issued in the name of the owner of the business. Only an account signer is authorized to conduct debit transactions on the account. As the owner, you may have additional signers on the account and want these people to have a card. Perhaps your employees are going to travel or have a need to purchase office supplies. Discuss the card and its intended use with a bank representative to determine if your plan is feasible. The bank may suggest an alternative, such as a preloaded card from its credit card processor.

If you decide to have a card issued, be aware of the risks. Using caution with debit cards will protect you from fraud and losses. A dishonest employee could use the card for personal purchases or obtain the maximum allowable amount of cash each day through an ATM. Even greater losses could take place over a weekend. If an employee leaves your employment, it is up to you to get the card back or cancel it. Federal law provides many protections to consumer holders of debit cards — such as limitations on liability if the card is lost or stolen — but not to business account holders. While business credit cards can have some of these protections, business debit cards have none. Because federal law doesn't protect business debit cards, it's very important to understand the terms of your bank account agreement regarding liability for unauthorized transactions. State laws regarding commercial transactions may provide some protections, so consider asking an attorney for further information.

If you lose or misplace the card, notify your bank immediately. And, review the transactions on your account statement as soon as it arrives and immediately report to the bank any possible errors or fraudulent activity.

Bank debit cards have a daily limit set for point-of-sale (POS) purchases, cash withdrawals, and an overall limit. These amounts may be adjusted by the bank, but only to a degree. The card processing company has limits that cannot be changed by the business owner. Most banks will assist you in making a larger purchase, by raising the limit for the time needed to make

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the purchase. You will need to contact the bank to request this.

Additional Banking Services
Merchant services - expand capabilities and sales

- Credit cards
- Debit cards
- Gift cards
- Online payments and sales



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Merchant Services – Expand Capabilities and Sales

Your sales could increase by accepting consumer credit cards and many banks offer merchant processing services that allow your business to accept credit and debit cards. These services may include point-of-sale card reader terminals, marketing support, online tools, and gift or prepaid cards that can be loaded at your locations. Gift or prepaid cards function like electronic gift certificates that can provide advance sales and generate income during the holidays and on special occasions. If you are providing wholesale products, then merchant services may be able to establish an online system to receive payments from buyers, which can decrease the time from billing to receipt and improve cash flow.

Discussion Point # 2: Banking Service Needs

1. Use three columns
2. Column 1: List services you need now
3. Column 2: List anticipated services for the next six months to a year
4. Column 3: List services you plan to get in the next two years, or see as future needs of the business
5. Assign a date to have each service in place or re-evaluated



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Refer to the participant guide.

Discussion Point #2: Banking Service Needs

Banking Services					
You need NOW	In place or re-evaluate DATE	You anticipate in 6 MOS. – 1 YEAR	In place or re-evaluate DATE	You plan in 2 YEARS	In place or re-evaluate DATE

In the first column, list the banking services you need now. List banking services you anticipate in the next six months to a year in the second column. In the third column, list banking services you plan to obtain in the next two years or services you think may meet future needs. Assign a date to each service representing when you need to have the banking service in place or when you will need to re-evaluate the service.

How will your banking services needs change over the next two years?

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Business Banking Fundamentals
Reconciling accounts

- Deposit accounts
- Remote deposit scanner
- Interest
- Loans



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Reconciling Accounts

Deposit accounts should be reconciled when you receive your monthly statement, but with online access you may want to review your account activity even more frequently – perhaps daily.

Your bank statement should contain directions on reconciling the account. If you are having difficulty balancing the statement to your records or find discrepancies, contact your bank. If you find an error in your bank statement, contact the bank as soon as possible.

Here are a few tips for reconciling your accounts:

- The amount encoded on the bottom right of a check should be the amount for which the check was written.
- Retain remote scanner software reports.
- Reconcile the interest on your business loan accounting records to the applied rate each month to save time at year end. Check principal balances as well.

Reconciling your accounts may mean investing time each month but is worthwhile to avoid the frustration caused by errors, fraud, or the need for research months later.

Business Banking Fundamentals
Protecting your business from online theft

- Use strong passwords and change frequently
- Ensure computers have latest operating system and anti-virus security updates
- Avoid using public wireless hot spots in areas like airports or cafes for online banking activity
- Ensure your staff thinks critically about emails and phone calls to identify suspicious behavior
- Consider establishing a dedicated computer for online banking and cash management

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Avoiding Fraud

Even if you do not plan to use online banking, you need to be vigilant to avoid fraud and scams. Remember, unlike consumer electronic payments that are generally protected by federal consumer protection laws, the liability for business electronic payments are governed by contract and state law, which could leave your business liable for online theft.

One very important step you can take to protect your business is to regularly monitor your account to look out for suspicious transactions. Report any questionable transactions to your bank as soon as possible. The faster a fraudulent transaction is identified, the better the chance that the any lost funds can be recovered.

It is important that you take some basic “safe computing” measures to stay safe online in order to avoid potential losses associated with online fraud.

Instructor Notes

Presentation

Cyber-thieves have been using increasingly sophisticated tactics to steal business banking credentials and/or “hijack” browser sessions in order to access and attempt to steal funds from business accounts. This tactic known as “corporate account take over” has resulted in some businesses being subject to huge losses along with several high-profile lawsuits. Thankfully, there are some basic steps you can take to mitigate the possibility of becoming a victim and protect your business.

- Be on guard against inside jobs. This includes employee theft or misuse of cash, merchandise or equipment as well as fraud. Minimize risks through steps such as pre-employment background checks, automated inventory tracking systems, audits, and clearly outlined policies for personal use of computers and other business equipment. Also, carefully select who handles revenue from customers, pays the bills and reviews account statements. And, ensure that there are procedures in place to detect and deter fraud.
- Ensure that all everyone establishes “strong” unpredictable passwords that are updated frequently. Avoid using common names that may be identified by clever cyber-thieves. Consult your bank for information on best practices for internet banking authentication.
- Make sure your computer has the latest operating system and anti-virus security updates. Many of the most high-profile losses to businesses have involved known vulnerabilities that could have been prevented by using updated software.
- If your business operates “on the go” and you need to manage your bank relationship remotely, avoid using public wireless hot spots in areas such as airports and cafes when conducting online banking activity. These public internet connections might be compromised.
- Train and educate your staff to “think critically” about phone calls and emails that relate to your business banking relationship. Many online thefts are multi-faceted and sometimes begin with seemingly benign “social engineering” tactics. A thief will use these tactics to discover individual pieces of information that when combined may provide enough information to conduct an online theft. Beware of correspondence (such as phone calls, emails, and letters) from individuals claiming to be your bank seeking to verify your account

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information or warning you to update your credentials.

- Watch out for fraudulent transactions and bills. Scams can range from consumer payments with a worthless check or a fake credit or debit card to fraudulent returns of merchandise. Be sure you have insurance to protect against risks.
- If possible, consider establishing a dedicated computer for conducting online banking and cash management activity. Using a dedicated computer avoids the risk of computer viruses and malware that can be inadvertently downloaded with general internet use.

Positive Pay and Debit Block Services

Positive pay services, available at many banks, help protect your account from being subject to ACH and check fraud. You provide the bank with a list of expected ACH transactions and checks, along with the expected amounts and dates. Then, as items are processed they are matched to the list. Mismatches will generate a notice to your office for payment approval. A debit block is another service offered by many banks that allow you to control whether or not an ACH debit transaction may be made against your business account. If your business plans to use your account primarily for paying employees or vendors (credits), and writing checks, there may be no need to allow business debits to your account through the ACH system.



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Commercial Lending

Small business owners typically need to borrow money to buy equipment, pay suppliers and employees, and otherwise finance their operations.

Understand the different types of financing. For most small businesses, operations can be financed in three key ways (not including investments or loans from family and friends):

- *Personal lines of credit*, such as credit cards (either an owner's personal card or a business card guaranteed by the owner) or home equity lines of credit (the small business owner's home serves as the collateral) are commonly used, but they have disadvantages. Small business owners willing to put their personal credit record on the line may find a credit card convenient, but it can be an expensive financing tool. Owners using a credit card also can quickly find themselves taking on debt that cannot reasonably be supported by

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projected revenues from the business. The significant problem with home equity lines is the potential to lose your home if you are unable to repay funds as agreed.

- *Business lines of credit* permit a business to borrow up to a certain dollar amount and repay it in installments with interest over several years. Lines of credit may be a flexible way to build credit. Business owners should think carefully before borrowing on a line of credit. Consider how and when the business will generate revenue to repay the loan, and make sure you are not using a short-term financing tool to finance costly, long-term investments. Rates may also adjust. Know the index to which the rate is tied and the maximum and minimum to which the rate can adjust.
- *Business term loans*, which establish a set dollar amount to be repaid in installments over three or more years, are commonly recommended for purposes such as financing the purchase of equipment or a vehicle. These loans often are secured by the asset that is purchased. Term loans mean predictable payments for businesses, but unlike lines of credit, a business may have to make a new application if it needs to borrow additional funds. The purposes for the loan will generally determine the length of financing. For example, term mortgages will normally be financed longer than a term loan for equipment.

Depending on your type of business or situation, consider asking about these types of commercial financing:

- Agricultural loans
- Manufacturing loans
- Veteran and military member programs
- Exporter loans
- Distressed area loans

The financing of equipment, inventory, plant, and machinery will be recorded by the bank to protect its interests. A deed of trust is the normal instrument recorded for real estate. Uniform Commercial Code financing statements are a tool used to give public notice of the bank's interest in other property. In some financing agreements, the bank may require that an Incidental Deed of Trust be filed on your personal residence. This Trust could be for added security or due to your personal guarantee on the loan.

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Financing Receivables or Inventory

The financing of receivables and purchased inventory is repaid through cash receipts, but is evaluated on your ability to collect the receivables and on your business credit. Financing receivables and inventory helps with cash needs due to seasonal fluctuations. In general, the amount loaned on receivables and inventory will not be 100 percent. Allowances are made for accounts not collectible and for inventory that may be discounted or damaged. Your bank can tell you the maximum they will loan for this type of financing.



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Business Credit Cards

Credit cards are a convenient option because they allow you to defer payment — that is, you will be using the card issuer’s money, not your own, until you pay off the balance. Choose a credit card after carefully evaluating the interest rate, fees and terms. Depending on the card, it may also offer rewards. Pay your credit card bill on time to build your company’s credit record—and avoiding paying interest on purchases.

Additional cards can be issued for other users. These people are called “authorized users,” but they are not responsible for making credit card payments. This process may present a business risk. Be aware that your liability for unauthorized use of credit cards by a thief can be greater for business credit cards than for consumer credit cards. So before requesting a card, read the contract, and speak with the bank about your responsibilities. If you have an account that you are not using, cards should either be cancelled and destroyed, or stored in a secure place.

There may be alternatives to issuing a business credit card to your employees. Talk with your bank about employee cash and travel needs. Some solutions could be automated clearing house (ACH) credits (electronic funds transfers) to their account to cover expenses, or a card preloaded with a specific amount.

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Additional Banking Services
Commercial lending

Small Business Administration **loan guarantees**



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SBA-Guaranteed Lending Programs

If you need to borrow money, your best option may be a bank loan guaranteed by the U.S. SBA. The loan is not made by the U.S. SBA, but the U.S. SBA backs a certain portion of loans to help borrowers qualify for attractive interest rates and financing. If you need a loan for less than the lender's minimum amount, ask your bank for a referral to a lender participating in the SBA's microloan program, which combines business coaching and technical assistance with access to loans up to \$50,000 (although the average loan amount is about \$13,000). Also be aware that certain borrowers, such as veterans or victims of disasters, may be eligible for special loan programs.

Additional Banking Services
Financing

- Comparison shop
- Understand types of financing

You can **improve your chances** of getting a good loan



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Improve Your Chances of Getting a Good Loan

If you need to borrow money, compare government-guaranteed loans that may be offered by your bank with a few other financial institutions serving your community. Start by having a well-prepared business plan showing how money will be earned, which can reassure lenders that a loan will be repaid. The business plan should also include an overview of your company, an explanation of its products or services, an explanation of your operations, a marketing plan and the reasons your company or concept differs from the competition. If you've already been in business for a while, attach accurate financial statements, including a balance sheet, an income statement and a cash-flow statement. Make sure your business plan is professional, detailed, accurate and attractive. Highlight your managerial experience. Lenders want to be reassured that you don't just have a great idea, but know how to execute it. If you don't have management experience, consider finding a partner or employee who does.

Additional Banking Services
Commercial lending

Ask about:

- Loan details, features, terms, etc.
- Loan types

Find out what you will **need to provide**



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Consider asking the bank about the following items before or at the start of the loan process:

- Loan fees
- Processing time
- Interest rate spreads for different types of loans
- Maximum term for financing
- Balloon payments or call provisions
- Interest-only payments during start-up
- Types of collateral or additional personal guarantee requirements
- Liens on a personal residence
- Methods for disbursing the funds

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Additional Banking Services
Wealth management and retirement planning

- SIMPLE IRA
- 401(k) retirement savings plan
- Simplified Employee Pension (SEP) plan
- ROTH IRA
- Health savings plan



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Wealth Management and Retirement Planning

Starting a retirement savings plan can be easier than most business owners think. By starting a retirement savings plan, you will help your employees save for the future. What's more, retirement programs can provide tax advantages to both employers and employees. You can establish a plan even if you are self-employed. Banks provide a number of ways to provide for retirement and it is important to speak with a financial advisor to determine the best plan or combination for you and your business.

There are three key types of IRA-based options:

- **Simplified Employee Pension (SEP)** plans are available for any size business. Only the employer contributes to the retirement plan—the employer can contribute up to 25 percent of each employee's pay. Contributions to a SEP are tax deductible and your business pays no taxes on the earnings on the investments.
- **SIMPLE (Savings Incentive Match Plan for Employees)** plans allow a business that has 100 or fewer employees to help employees save for retirement. Employees can contribute to the IRA, on a tax-deferred basis, through payroll deductions. As the business owner, you can choose either to match the employee's contributions or to contribute a fixed percentage of all eligible employees' pay.
- **Payroll Deduction IRAs:** Even if an employer does not want to adopt a retirement plan, it can allow its employees to contribute to an IRA through payroll deductions. The employer sets up the payroll deduction IRA program, and then the employees choose whether and how much they want deducted from their paychecks and deposited into the IRA. The employee makes all of the contributions. There are no employer contributions.

Another retirement plan option is the **401(k) Plan**. A 401(k) plan allows participants to decide how much to contribute to their accounts, and employers are entitled to a tax deduction for any contributions they make to employees' accounts. The money contributed may grow through

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investments in stocks, bonds, mutual funds, money market funds, savings accounts, and other investment vehicles. Contributions and earnings generally are not taxed by the Federal Government or by most State governments until they are distributed. Banks that provide 401(k) retirement savings products will generally assist you in setting them up with your employees and even provide education for your employees on important features of the plan.

Building Your Banking Relationship

After You Select a Bank

Building a banking relationship is just like any other relationship. It doesn't happen in one day. Once you select the bank that will handle your banking needs, take time to develop a relationship with your banker—the loan officer or manager who handles your account. A good relationship with a key person at your bank can help you establish or increase credit, save you money in fees, and enhance your business opportunities through taking advantage of the banker's contacts. Clear, frequent, open lines of communication are a necessary component of a strong owner-banker relationship. Talk to your banker at least quarterly, but be sure to talk to your banker when something important occurs, such as winning a major account or gaining a major competitor.

If you have a start-up, spend time educating that person about your business. If you've got an on-going enterprise, invite the lender to your company for a tour. Give that person a chance to become interested in your business and your prospects.

10 Minutes

Six Key Points to Remember

- Choose the right bank for your financial needs. Shop around
- Banks offer a wide range of loan and deposit products and services to meet your needs
- Banks can help your business with merchant, payroll, retirement and online services
- Keep your business and personal accounts separate when transacting business
- Take precautions to avoid fraud or other preventable losses
- Save money for unexpected expenses in a savings account



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Six Key Points to Remember

1. Choose the right bank for your financial needs. The products and services that banks offer, and the fees that may be charged for those services, can vary between banks. It pays to compare what your bank offers to what several other banks serving your community offer.
2. Banks offer a wide range of loan and deposit products and services to meet your needs. For example, you may be able to deposit checks into your account from your office without visiting the bank. If you need to borrow money, consider SBA-guaranteed loan programs.
3. Banks can help your business run more smoothly with merchant, payroll, retirement and online services.
4. Keep your business and personal accounts separate when transacting business.
5. Take precautions to avoid fraud or other preventable losses.
6. Establish a cushion for unexpected expenses, perhaps in a savings account.

Summary

We have covered a lot of information. What final questions do you have?

Who would like to share one thing they learned from this training?

Now we will see what you have learned by completing *[a short Post-Test that is the second to the last page in the Participant Guide and/or the “After the Training” column of the What Do You Know? form that you completed earlier]*.

We would also like your feedback about the workshop. Please complete the Evaluation Form—this is on the very last page of the Participant Guide.

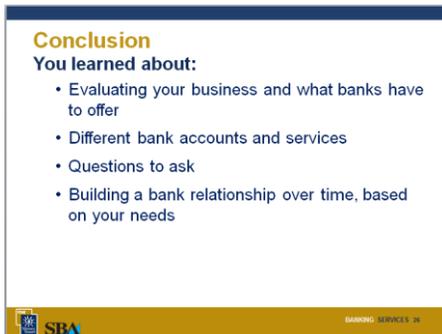
Summary

- What final questions do you have?
- What have you learned?
- How would you evaluate the training?




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Conclusion



Conclusion
You learned about:

- Evaluating your business and what banks have to offer
- Different bank accounts and services
- Questions to ask
- Building a bank relationship over time, based on your needs

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You learned about:

- Evaluating your business and what banks have to offer
- Different deposit products including sweep features, remote scanners, Automated Clearing House (ACH) debit processing, and wire transfers
- Questions to ask regarding deposit, savings, loan, payroll, merchant, cash management, and retirement services
- How bank services can help you maintain reports and access records for reconcilements
- Cards issued for checking and credit accounts
- Services that can help prevent fraud or forgery
- Building a bank relationship over time, based on your needs

For Further Information

Federal Deposit Insurance Corporation (FDIC)

<http://www.fdic.gov>

The FDIC preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least \$250,000; by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails.

The FDIC encourages bank lending to creditworthy small businesses. The FDIC also encourages small businesses that may have an inquiry or concern about the availability of credit to contact the FDIC Small Business Hotline at 1-855-FDIC-BIZ or <http://www.fdic.gov/smallbusiness>. Another FDIC web site, <http://www.fdic.gov/buying/goods>, provides resources to assist small businesses that may want to do business with the FDIC.

U.S. Small Business Administration (SBA)

<http://www.sba.gov>

SBA Answer Desk: 1-800-827-5722

The U.S. Small Business Administration (SBA) web site provides resources, answers to frequently asked questions, and other significant information for small business owners.

U.S. Financial Literacy and Education Commission

<http://www.mymoney.gov>

1-888-My-Money (696-6639)

MyMoney.gov is the federal government's one-stop web site that provides financial education resources from more than 20 federal agencies.

Post-Test

Now that you've gone through the training, see what you've learned.

1. Which of the following is NOT a banking service? Select all that apply.
 - a. Business checking
 - b. Business debit card
 - c. Business credit card
 - d. Real estate sales**
 - e. Financing receivables
 - f. Line of credit
 - g. Term loan
 - h. Cash management
 - i. Merchant services
 - j. Payroll processing
 - k. Financing fixed assets
 - l. Wealth management (SIMPLE IRA, 401(k), SEP)

2. Fundamentally, how many basic types of business checking accounts are there?
 - a. Two – small business and commercial**
 - b. Three – small business, commercial and investment
 - c. Four – small business, commercial, investment and savings
 - d. More than four

3. To help protect against fraud, most banks can set up a sweep on an operating account that links to a payroll account. The payroll account will have what's known as a _____.
 - a. Bond protection feature
 - b. Zero balance feature**
 - c. Call provision feature
 - d. Checking account reconciliation feature

4. Which of the following is typically the minimum requirement to open a CD with a bank?
 - a. \$100 – \$200
 - b. \$500 – \$1,000**
 - c. \$2,000 – \$4,500
 - d. \$5,000 – 10,000

5. Most banks will not permit a business payroll to be direct deposited.
 - a. True
 - b. False**

6. Which of the following is a cash management service a bank might provide? Select all that apply.
 - a. Online banking
 - b. Sweep account
 - c. Remote deposit scanner
 - d. Lockbox service
 - e. Automatic Clearing House (ACH) debit processing

7. Which of the following best describes a lockbox service?
 - a. A service that maintains records with regard to paying employees
 - b. A service whereby payments to a business are mailed to and processed by a bank
 - c. A service for accepting and processing online payments
 - d. A service that provides a secure place for business valuables, such as ownership documents

8. Which of the following best describes the term “loan guarantee”?
 - a. A promise that a bank makes to keep interest rates a certain level over a contracted period of time
 - b. A promise to allow a borrower to “back out” of a loan if it does not suit the borrower’s needs
 - c. A promise that borrower makes to receive a loan
 - d. A promise to repay a loan, made by an agency, if the borrower does not repay the loan

9. Checking accounts can be coded to sweep funds *from* or *to* a line of credit.
 - a. True
 - b. False

10. Direct deposit, ACH debit and credit processing, and wire transfers all provide a quick means to transfer funds online.
 - a. True
 - b. False

Evaluation Form

Please fill out this evaluation form for the *Banking Services Available for a Small Business* training.

Training Rating

1. Overall, I felt the training was (check one):

- Excellent
- Very Good
- Good
- Fair
- Poor

Please indicate the degree to which you agree by circling a number.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
2. I achieved the training objectives.	1	2	3	4	5
3. The instructions were clear and easy to follow.	1	2	3	4	5
4. The PowerPoint slides were clear.	1	2	3	4	5
5. The PowerPoint slides enhanced my learning.	1	2	3	4	5
6. The time allocation was correct for this training.	1	2	3	4	5
7. The instructor was knowledgeable and well-prepared.	1	2	3	4	5
8. The participants had ample opportunity to exchange experiences and ideas.	1	2	3	4	5

Please indicate the degree of knowledge/skill by circling a number.

	None		Advanced		
9. My knowledge/skill level of the subject matter before taking the training.	1	2	3	4	5
10. My knowledge/skill level of the subject matter upon completion of the training.	1	2	3	4	5

Instructor Rating

11. Instructor Name:

	Poor	Fair	Good	Very Good	Excellent
12. Made the subject understandable.	1	2	3	4	5
13. Encouraged questions.	1	2	3	4	5
14. Provided technical knowledge.	1	2	3	4	5

Please use the response scale to rate your instructor by circling a number.

15. What was the most useful part of the training?

16. What was the least useful part of the training and how could it be improved?
