A Guide to Turning Your Business Credit Card into a Cash Flow Tool

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Credit Cards Help Fuel Business Growth

Credit cards are a convenient, widely accepted form of payment that can save your business time and money. Used correctly, a business credit card can also be the ultimate cash flow tool for a growing company. This guide will help you select the credit card with benefits and rewards that best fit your unique business needs.

Choosing the Right Card for Your Business

To get the most out of your credit card, select one that supports your plans for spending and growth. Here is a closer look at some of the common card types so you can decide which features, benefits and terms are the best match for your business:

**Miles Rewards Cards**

**How it works:** Earn miles rewards with most purchases and redeem for travel expenses. This is a great way to cover business-growing expenses like research and development or professional training.

**Who it’s best for:** Business owners who travel frequently but aren’t loyal to one airline or hotel chain.

**Tip:** Always check to see if miles rewards expire, have spend caps, or if blackout dates apply.

**Cash Back Rewards Cards**

**How it works:** Earn cash back rewards on business purchases, sometimes with bonus cash in certain categories, or get an annual refund for a percentage of your annual spend.

**Who it’s best for:** Business owners who don’t travel very often or who prefer getting rewards in cash.

**Tip:** If you have bonus categories, find out if those categories rotate, require you to sign up, or have spend caps either quarterly or annually.
Points Rewards Cards

How it works: These cards earn points per dollar you spend with some categories of spending earning higher points over others. You can typically redeem points for travel, gift cards, or a check for a specific dollar redemption rate.

Who it’s best for: Business owners who spend a lot in specific categories, or larger businesses.

Tip: Make sure you understand the category specific rewards and check whether those categories rotate, require sign ups, or have spend caps.

Co-Branded Cards

How it works: These cards are offered jointly by a retailer (department store, fuel, airline) and a bank. Rewards are typically in the form of a currency (points, miles, etc.) from the co-branded partner.

Who it’s best for: Business owners who can take advantage of rewards accumulated with the participating retailer. Rewards can be redeemed for credit toward flights, gas or purchases with a preferred brand.

Tip: Be sure to do your homework so you know the APR as well as any blackout dates that apply when using your rewards.

Introductory APR Cards

How it works: For a limited period of time, get a 0% Annual Percentage Rate (APR) on purchases and/or balance transfers. This card can serve as a low-interest, short-term loan. For example, a balance transfer to 0% APR can help you pay off debt on a higher-interest card.

Who it’s best for: Business owners who want to make a large purchase and pay off the balance within the introductory period.

Tip: Make sure you know the APR beyond the introductory period. For balance transfers, confirm that the 0% APR offer applies and find out if there’s a fee.
Questions to Ask When Comparing Cards

Selecting the right business credit card requires a side-by-side comparison of terms, benefits and costs. The following questions may help guide you to the right choice for your business:

**What’s the APR?**

The first point of comparison for card shoppers is often the APR, the yearly interest cost on an outstanding card balance. Find out if the card has a different APR for balances, cash advances and penalties.

**What is My Grace Period?**

If you pay your balance in full every month, you usually have several weeks to pay your outstanding card balance before you’re charged interest. But often the same does not apply to cash advances—these may come with a higher APR, and that interest is calculated from the day the charge is posted to your account. Be clear on the specifics of your cash advance terms so you understand the cost associated with them.

**Will You be Charged Penalties or Late Fees?**

Make sure you understand the terms of the card agreement, in particular what happens if you miss a payment or if it arrives late.

**Are There Foreign Transaction Fees?**

If your business makes purchases overseas, make sure you ask if the credit card you use charges you a fee for these types of purchases.

**Does the Issuer Provide Security or Fraud Protection Features?**

Card issuers may add extra layers of security for you, like customizable alerts when they note changes to your account information or unusual charges.

Some card issuers or card associations (for example, Visa® or Mastercard®) offer extended warranties or cover replacement costs if items purchased with the card are lost or stolen.

**Does the Card Offer Back-Office Support?**

Some issuers may let you download transaction information into your accounting software and offer reports on category spending. This feature streamlines daily operations and comes in handy at tax time.
Streamline Record Keeping
Summary reports allow you to analyze spending by user or by category. Year-end summaries can make it easier to prepare tax returns and financial statements.

Reap the Rewards
When you take advantage of a rewards program, your purchasing can help you reinvest in your business without dipping into your day-to-day cash flow.

Build Your Credit
Building credit can open doors for future funding opportunities, so it’s important to establish the creditworthiness of your business as early as you can. By cultivating a strong credit rating now, your business can secure credit on favorable terms in the future.

Making Your Card Work Harder for You
Manage your credit card account wisely, and you can support your business’s growth in the following ways:

Take Control of Your Cash Flow
To make the most of your cash on hand, take advantage of the “float.” For example, if you make a purchase on the first day of your account cycle, you won’t be billed for it for 30 days. If you pay your balance in full every month, then you’ll also have that time as grace period where you won’t accrue interest. That’s extra time between getting the goods and having to pay for them.

Manage Employee Spending
Small businesses can obtain cards for authorized employees, all of which add to your total rewards, allowing you to accrue maximum points, miles or cash back. Plus, you can set purchase limits for each employee and track spending via transaction alerts.

Minimize Purchasing Red Tape
Using business credit cards for some expense categories eliminates the approval cycle for certain spending. And you won’t have to maintain and account for petty cash or cut numerous small checks.
Expert Spotlight: 3 Tips from Sean McQuay

Nerdwallet.com’s credit card expert, Sean McQuay, has advice on how to earn and use perks to get the most benefit for your business:

1. Do the math on your effective earnings rate. Consider how much you’ll be spending and whether you’ll hit a cap that limits your rewards. For example, a card may pay 2% cash back on up to $50,000 in spending, and then 1% after that. If you routinely spend $100,000, the effective cash back is really 1.5%, he explains.

2. Pay attention to the rules for category spending perks. If your card agreement promises 5% cash back at office supply stores, don’t buy those supplies at big-box stores, McQuay advises. “To maximize points earned in categories, you need to spend at a specialty store.”

3. Get creative using your rewards for travel. For example, reward employees with free trips. This is a great way to incentivize staff without tapping into daily cash flow needs. “That really helps maximize the value of your rewards,” says McQuay.
Good Luck!

Whether you want to redeem rewards for travel, merchandise or cash back, a business credit card can help you make the most of your spending. Choose the card with benefits best-suited to growing your business.

Plus, by taking advantage of features like employee cards, getting back-office support and improving your business credit rating, you’ll have the freedom and flexibility to take your success to new heights. When your credit card is working that hard for your business, it becomes the ultimate cash flow tool for stretching your dollars and spending smartly.