

7 considerations why small businesses should separate business and personal accounts

Running your businesses using your personal accounts is not beneficial, despite many small businesses thinking that it will save them money.



Source: © 123rf [123rf](#) Running your businesses using your personal accounts is not beneficial

“The misconception is that running your business together with personal finances has the potential to save you money and spares you the hassles of opening and running separate bank accounts,” says Francinah Phalatsi, business development manager at FNB Commercial.

7 considerations

Phalatsi says there are several considerations which offset any perceived benefits.

These considerations include:

1. Improved efficiencies

Keeping your business and personal financial activities separate decreases the complexity of understanding the performance of your business. The alternative is to manually separate the respective activities, which is time-consuming and subject to human error.

2. Meticulous record keeping

This allows you to easily see how much money is coming in and going out of your business. It also opens the door to categorising expenses, connecting accounting software to simplify your accounting, and seeing real-time cash flow.

3. Understanding of business finances

By separating your business finances from your personal finances, you can easily track, forecast and respond to fluctuations in your finances.



4. Business valuation

If at some point in time, you wish to value your business or even sell it you will require a clear separation of your business finances and a historic record of business activity, which a separate bank account will support.

5. Credit applications

Many businesses do not yet have audited financial statements as a record of financial performance. This is where business bank statements come in handy, as a record of your trading activity – from which financial institutions can make lending decisions. It is important to note that business behaviour also counts.

Staying on time with payments will help you improve a business credit score, and it's easier to track business activity without personal finances muddling your statements.

6. Professionalism

Having a business bank account gives your business a professional image and demonstrates that you are serious about your business. It also makes it easier for you to receive payments from customers, pay bills, pay employees and manage your finances.

7. Compliance

Using a business bank account helps you to comply with regulatory requirements for businesses by allowing you to keep accurate financial records, which is helpful when it comes time to pay taxes.