

# Choosing a Farm Bank Account

► When starting a new farm business, one of the first steps to success is opening a business bank account.

Several advantages come with having a business account separate from your personal finances. These advantages include the following:

(1) Financial record keeping is tidier because your personal and family expenses are not intermingled with business revenues and expenses.

(2) If your business is registered as a separate entity such as a limited liability company or corporation, separation of finances helps maintain the “corporate veil” that protects your personal funds and assets from your business’s liabilities.

(3) A separate banking account allows business owners to use merchant services or payment processing companies to accept nontraditional forms of payment, such as credit cards, SNAP, EBT, and senior vouchers.

(4) A business bank account will help your business establish a financial history that can be used to help build business credit and apply for grants, loans, and programs.

The increased cash flow from accepting alternative forms of payment, program rewards, and access to larger pools of capital can make a huge difference in the success of a beginning business. For more information about why opening a dedicated account is essential for new agribusinesses, visit “Farm Accounting 101—Opening a Farm Checking Account” on the Alabama Extension website at [www.aces.edu](http://www.aces.edu). This article features an informative video from the Alabama Extension Farm and Agribusiness Management Team.

Sometimes it is advantageous to open a business account where you have an existing relationship, such as your personal bank, and sometimes it is not. Following are key characteristics and ways to evaluate your farm bank account options.

Today’s banks and credit unions that offer business bank accounts are competitive and provide various business account types. Agribusiness owners should



take adequate time to research these options and find the right fit for your business. There are a few things to consider when choosing an institution. The following are desirable account features that a farm business account should have.

- Little to no account fees
- Competitive interest rates
- No transaction limit on quantity or size of transactions
- No minimum opening or average balance
- Other benefits (mobile banking, introductory offers, access to credit, etc.)

It is important to be aware of all fees associated with an account. Fees come in many different forms, including but not limited to monthly service, minimum balance, transaction, overdraft, and early termination fees. Interest rates, transaction limits, minimum opening or average balance, and other characteristics also vary. Other account benefits you may want to consider include mobile banking, introductory offers, and access to credit. Mobile and online banking are common modern amenities for accounts. Agribusiness owners who prefer to bank in that format should ask about and research those services. Unfortunately, the perfect account does not exist. Generally, there is a trade-off when one or two

account features are exceptional. For example, accounts with little to no fees may allow fewer transactions and charge a fee if a certain balance is not maintained, or accounts that offer competitive interest rates on balances may have stricter transaction limits or charge higher fees.

When opening a business account, much like when opening a personal account, it is easy to become overwhelmed with information. Take time to read through all information about the account, and do not be afraid to ask questions about fees, transaction limits, or any other considerations that concern you. Research account options via web searches and phone calls, but open your account in person and ask questions as needed.

To open a business account, you will need your social security number if you choose to operate as a sole proprietorship. You will also need an employer identification number (EIN) if you have registered your business as a separate entity with the State of Alabama. The Alabama State Banking Department regulates banks in Alabama. Many are also regulated by the Federal Reserve System, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC). Each of these entities has a website with information concerning bank regulations. Submit complaints concerning potentially illegal activity from banks doing business in the state to the Alabama State Banking Department or any of the federal regulators if it is a national bank. If you have concerns about what your bank might do with personal or business information and finances, ask your account provider what they do to protect your information and comply with state and federal laws concerning privacy.

**Table 1. Account Feature Priorities**

Feature	Rank (1–5)
No account fees	
Competitive interest rate	
No transaction limits	
No minimum balances	
Other (_____)	

Use table 1 to prioritize account features most important to your farm business. Rank the characteristics one through five. If there is a specific account benefit that you are searching for, enter it in “Other.” For example, you may consider the availability of mobile banking services a high priority. After you have ranked your preferences, narrow our options to the business banking accounts you would like to consider. Once your best options have surfaced in your research, meet with representatives from those businesses to gauge benefits, such as exceptional service, that may be hard to measure and detail.

Opening a bank account is one of the first steps to strong farm financial management. Look for more information and other articles and publications on the Alabama Extension website under Farm Management. Contact the Alabama Extension Farm and Agribusiness Management team or visit the United States Small Business Administration website if you have questions about farm financial and business management or are looking for other resources for beginning businesspeople.



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