

Remember these 4 key tips for picking a business credit card

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Canadians love their credit cards. There are more than 75 million in circulation throughout the country, according to the Canadian Bankers Association. With so many card options, it can be difficult to know where to start – and small business owners face added considerations.

A commercial credit card has to offer the sorts of advantages that any cardholder would want, while also serving the right business needs. Taking a few simple steps can help simplify the decision-making process.

1. Chart your recent spending

Get a handle on your spending habits and monthly expenses. The patterns that emerge will begin to tell the story of what card options are going to benefit you and your small business best.

"If you drive a lot, maybe it's beneficial to have a cash back option on your gasoline purchases," says **Steve Bridge of Money Coaches Canada**. "If you carry a large balance from month to month, maybe a card with a lower interest rate is in your best interest."

Bridge suggests that business owners track their top two spending categories and start their research there. Certain cards offer specific perks based on the cardholder's spending. For instance, a BMO Rewards card has accelerators on purchases specific to small business, like office supplies, internet and cell phone bills.

2. Know your limit

Business credit cards often come with significantly higher limits than personal cards. If you need access to large sums at one time, that's something to consider.

Even if you're not going to use all the credit available on your business card, it might still be worth getting a higher limit to help build the business's credit score. According to Nerdwallet.com, "Business credit scores...use your credit utilization to calculate your business credit score, so a higher limit can make it easier to use less of your available credit and improve your standing."

3. Don't be afraid of cards with annual fees

Small business owners are often self-financed in some fashion, so they might balk at the thought of paying an annual fee. However, it might actually cost more, over the long run, to go with a card that has no annual fee.

Owners should map out their overall cash flow and determine whether they have the funds to pay off their cards monthly.

Adrian Lang of BMO says it's important to think of the annual percentage rate (APR) on a card when calculating payments on balances.

"A small business owner might be very fee-conscious. On the other hand, if they carry a balance, even for a month, and have a lower APR on a card with an annual fee, it might be something to consider. The cost of the annual fee may be offset by the savings from a lower interest rate," says Ms. Lang, Head of Governance and Small Business Solutions, North American Retail Payments, Canadian Personal and Business Banking.

Compare the fine print between cards to get a sense of what annual fees might entail.

4. Explore the terms

Just like other deals in which small businesses enter, a business credit card is a contract. The Canadian Federation of Independent Business reminds that it's important to understand all the terms and conditions of your card, including any fees for which you may be responsible.

Many cards with an annual fee include embedded features, such as trip cancellation insurance and lost baggage insurance, as well as extended warranties for purchases. Check the terms so you know what the features are on your card.

Getting a credit card is a type of business investment, so deserves the same type of homework into the costs and payoffs.