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CREDIT CARDS



5 Ways a Business Credit Card Can Help Your Business Grow

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Written by **Rosalie Murphy** for NerdWallet →

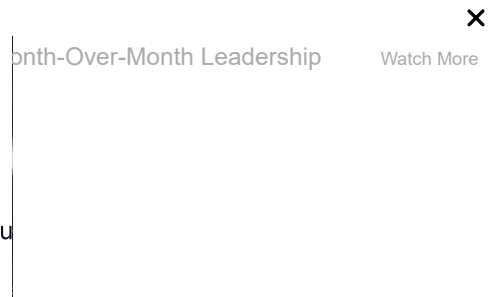


You can use a business credit card for many purchases, and doing so can help your company stay on top of cash flow and earn rewards to boot.

“If you are starting a new business and you are generating business expenses, it’s a good time to get a business credit card,” says Raul Vasquez Hernandez, a senior business development officer at small-business lending nonprofit TruFund.

No matter what stage of growth your business is in, here’s how to get the most out of your credit card without going too hard.

1. Accessing capital as a startup



New businesses typically don't qualify for small-business loans; most lenders want to see a year or two of revenue history before approving your application. [Business credit card requirements](#) are less stringent, not necessarily requiring any revenue.

If you have a good or excellent personal credit score (typically a FICO score of 690 and above), you can probably open a business credit card right away. A 0% APR intro period offers you extra time to pay down your bill before you owe interest.

Just be mindful of how much of your credit you use, says Shannon Schwabe, a senior business consultant at the Michigan Small Business Development Center. Your goal should be to have open credit when you need it, not to overextend yourself — in part because over-reliance on credit cards could limit your ability to access other financing.

“(Business owners) can't get the balance paid down because they're just paying interest, and now they're overloaded on their debt-to-income ratio, and now they can't access funding to help them,” Schwabe says. “And then you get those late fees, and then it just starts eating into all of your profits.”

Beyond that, when you sign a personal guarantee, you're personally on the hook for paying your business credit card's bill — even if your business never makes money.

2. Building your business credit score

Businesses have credit scores just like individuals do. Responsibly using a business credit card that reports to the three major business credit bureaus — Experian, Equifax and Dun & Bradstreet — can build your business's credit history.

And a good [business credit score](#) can help you qualify for financing or get more favorable payment terms in the future.

“As a startup, you don't have access to capital very much,” Schwabe says. “Getting that credit card is going to help your business develop a history of credit.”

Business credit cards generally [won't help your personal credit score](#) because most card issuers don't [report](#) positive activity, like paying your bill on time, to personal credit bureaus. But they can hurt your score — because many issuers do report negative activity, like missed payments and delinquencies.



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3. Organizing your business finances

Every entrepreneur should separate their business and personal finances, and a business credit card (along with a business bank account) is a useful way to do so. When you use a dedicated business card for your business spending, it can be easier to see all your transactions in one place and share them with your accounting software.

Issuing employee cards can reduce your reliance on reimbursements, further simplifying your finances. Plus, some employee cards allow you to create spend controls that limit when and how they can be used.

Card lost or stolen? Business credit cards limit your liability for unauthorized use, like personal cards do. You generally won't be on the hook for more than \$50 if one of your business credit cards is used illegitimately.

"You get peace of mind knowing that if there's any fraudulent changes, you can dispute them," Schwabe says.

4. Managing your cash flow

Even profitable businesses experience cash flow gaps. In such cases, you can use your card to pay an invoice, buy supplies or adapt to an emergency, then pay down your balance when revenue lands in your bank account.

And if you can pay off your card before the bill is due, you won't have to pay interest.

"A business credit card is a short-period-of-time line of credit," says Vasquez Hernandez, who has also advised entrepreneurs in the Houston area through small-business mentoring organization SCORE. When you need to make a purchase quickly, you can "use your business credit card to try to buy this thing and keep running."

5. Earning rewards

Most business credit cards offer rewards for using them, usually in the form of points, miles or cash back. If your company has established spending patterns, look for a card that will generate the most rewards for you.

Using the right card can help entrepreneurs "accumulate points and savings for their business eventually," Schwabe says. [Month-Over-Month Leadership](#) Watch More ✕

One time when you should stick to cash? If someone you're doing business with offers you a discount for paying in cash (and those discounts outweigh the value of

"If you have a supplier or a vendor that is going to give you a good discount because you are using cash, take advantage of that," Vasquez Hernandez says.

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