

Dealing With Your Bank

COMMON ISSUES FOR BUSINESS OWNERS DEALING WITH THEIR BANK

Submitted with appreciation from Michael Marshall, Senior Account Manager, Commercial Banking, BMO Bank of Montreal

For many companies in Ottawa, this past year may have been more challenging than others. Many business owners made some necessary decisions and were able to see the overall benefits of these decisions. As you complete your year end review of your financial statements with your accountant, it may be time to provide the financials to your bank. Following are some tips when dealing with your bank on some of the key issues for business owners.

LOAN INTEREST

Whether you have an operating loan or some type of term loan, the bank lends its money based on risk. If you had a good year, ask if the bank can lower your interest rate. If you didn't have as strong results, it may want to increase your interest rate. For smaller loans, even though many business owners do not like to do this, a cheaper alternative may be to take out a personal loan or use the equity in your home and inject this money into the company, rather than borrow from the bank at commercial rates. Speaking to your accountant and your account manager at your bank will make sense when reviewing your interest costs and evaluating the options. For example, if you are looking for an equipment loan, speak with your accountant about the benefits of leasing vs. taking out a bank loan.

ACCOUNT FEES

At a minimum each year, your account manager should initiate a review of your bank charges to ensure you are paying the least amount in fees. As your business evolves, so do your banking needs. Most banks have plans that will waive fees or reimburse you for fees if you keep a minimum balance in your operating account.

DEPOSIT AND INVESTMENT INTEREST

Interest rates are historically low. You should confirm that if you are receiving lower interest on your investments, you should likely also be paying less in loan interest. Many customers have moved some of their money around between various financial institutions to see if they can get better interest rates. Often you can get 50 to 75 basis points more by shopping around.

However, moving your money from your bank to another financial institution may cost you more in fees than the 50 to 75 basis points in interest you are getting, especially if your bank has commercial account plans which allow you to have fees reversed or waived if you keep a minimum monthly balance. One of the things you may want to review is your account fees in relation to your deposit balances. Often, it may make more sense to ask your bank for non-standard pricing which may reduce or waive some of your fees based on the balances that you keep in your account.

LOAN SECURITY

The most common desire for the business owner is to reduce the security provided such as personal guarantees and/or spousal guarantees. If the guarantees cannot be removed, ask if they can at least be reduced or what you have to do to reduce or remove them. The second area to look at is, if the bank has asked for a mortgage against your personal residence or another property, it may be cheaper and easier to borrow the money personally and inject it into the company. You would want to speak with your accountant about this.

CONCLUSION

It is always a good idea to sit down at least once a year and work with your accountant and your account manager to review and ensure that you are getting the best value. In addition, it is also helpful to do some preparation and thinking of what other banking needs you may have in an effort to help your business be more efficient and cost effective.

This'n That at Logan Katz

Logan Katz in the Community

On March 23, Logan Katz staff participated in our firm's 14th annual tax clinic where tax returns are prepared for Ottawa's low-income and senior individuals. We enjoyed the pleasure of assisting over 40 individuals prepare their 2009 returns.

On March 13, Logan Katz staff participated in the University of Ottawa Telfer School of Management first annual Accounting Conference. The goal of this event was for management students to meet accounting industry insiders through a series of workshops, competitive accounting-oriented cases, and a formal networking event.

This'n That at Logan Katz

New Faces at Logan Katz

In January, Logan Katz welcomed aboard Yan Wu to our assurance and accounting practice. Yan is an experienced accountant who previously worked with Ernst & Young in Montreal. She is fluent in English, Mandarin and French.

Later this month, Aron Mak will grace us with his arrival to our assurance and accounting practice. Aron will be bringing with him two years of experience with Deloitte in Toronto. We look forward to introducing him to you.

For the third consecutive year, our firm is proud to support the Algonquin College accounting professional program by providing work experience to two graduates – Ms. Neha Agarwal and Ms. Yang Lui. They will be playing an active role in our personal tax preparation services over the next six weeks.

... and a Fond Farewell

To Mark Campbell who relocated to Kingston in February after two wonderful years with Logan Katz. Many of you had the pleasure of working with Mark and we believe you - like us - will miss his professional and caring approach. We wish him the very best.

Sponsorship

Logan Katz is an exclusive partner of **The Ottawa Art Gallery Art Auction – Stimulus** event to be held on June 4. We look forward to running into you at this significant can't-miss, must-attend event.



April Breakfast Seminar

Join us on Thursday, April 15, 2010 as we welcome Pauline Fleming of Proactive Business Solutions. Pauline will be discussing how to "Boost Your Business: 10 Truths to Keep and Attract More Customers". You can register on-line through the events page on our website at www.logankatz.com or by calling Michelle Gibbons at 613-228-8282 ext. 0