

Doron F. Eghbali Business Law Blog on Lawyers.com

[How You Should Choose a Business Card for Your Business](#)

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Despite the persistent frozen credit market and the dangers [hidden in business credit cards](#), some entrepreneurs still need them to [build their business credit](#) and take advantage of availability of capital infusion for emergency business needs. Nonetheless, choosing the right business card could be a relatively important business decision since the business owner should intelligently and prudently assess the condition of its business and get a business card that helps the business in the long term.

IMPORTANT QUESTIONS TO ASK OF YOURSELF

The following list helps business owners ascertain whether they need a business card and whether even if they need such cards, they can afford them.

- Why do you need a business card?
- Why do you think you are eligible for a relatively low rate?
- How do you plan to pay off your balance each month?
- How do you realistically assess your business conditions after you have used your business card and incurred a balance?
- Why couldn't you borrow from other lenders with more favorable rates and provisions such as the Small Business Administration?

IMPORTANT CONSIDERATIONS IN CHOOSING A BUSINESS CARD

1. ANNUAL PERCENTAGE RATE (APR)

Business owners should pay close attention to APR if they:

- **Carry a Balance:** You would carry a balance on your business cards and do not pay it off each month. If you do not carry a balance, then cards with longer grace periods or generous rewards might be more appropriate.
- **Have Relatively Good Credit:** You have a relatively good credit some card issuers might give you a relatively lower APR.
- **Can Get Fixed APR:** You could get a fixed APR. This fixed feature could be extremely important at times when rates fluctuate upwards and business needs to know how much exactly to pay each month.

2. REWARDS PROGRAM

Rewards program usually consists of either airline-mile rewards or cash back.

- **Airline-Mile Rewards:** If you do not travel that much, then this kind of reward is not suitable for you. In addition, even if you think by accumulating the miles, you could take a great vacation with your family, think twice. Many business cards have restrictive provisions that would not allow you to take advantage of such miles the way you would like.
- **Cash Rewards:** Getting cash back on your purchases seems a prudent approach. However, make sure you understand the fine print. For example, if you are late on one payment you might *lose all your cash back rewards* you have already accumulated. Unfortunately, [the CARD Act does not apply to businesses](#).
- **Other Perks:** Some cards even offer discounts at certain stores or restaurants.

3. ANNUAL FEES

- **Pay Annual Fee For Other Perks of the Card:** Pay the annual fee, if another feature of the card is worth to you more than the annual fee you are paying.
- **Pay Annual Fee for Longer Grace Periods:** Pay the annual fee, if the card offers you a longer grace period such as 30 days rather than the usual 20 days for most cards.
- **Pay Annual Fee for Lower Rate:** Pay the annual fee, if you carry a balance at the end of the month and by paying the annual fee, you get a relatively lower APR.

CREDIT CARD COMPARISON SITES

To compare various offers, you can go to the following sites: [CreditCards.com](#); [CardRatings.com](#); and [BankRate.com](#).

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CAUTION

Make sure you understand all the penalties, fees and costs of applying for a business card and using one before embarking on such endeavor. If you do not pay your monthly payments on time, aside from hurting your business credit you might even hurt your personal credit score and face higher interest rates.

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