

The logo for 'Smart Living' is written in a white, cursive font on an orange banner that is part of a photograph of a group of people.The logo for Education First Federal Credit Union, featuring a stylized yellow 'E' with a graduation cap on top.

Education First
— FEDERAL CREDIT UNION —

November 2019

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Smart
Living


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We're LOVIN' all that's going on this month!

2020 has already been an exciting adventure for Education First. So far, we've given back over \$50,000 to local schools, opened a newly remodeled branch, and just awarded staff for volunteering over 740 hours in 2019.

We're excited to see what the rest of this year will bring, and are happy to have you join us!

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Our Mortgage Team is Now Accepting Saturday Appointment Requests!

Our Mortgage department is now accepting Saturday appointment requests! You can schedule an advance appointment by calling 409.898.3770 x5014 and a team member will assist you!

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Should Personal and Small Business Banking Overlap?

Don't Mix Personal and Small Business Finances

One of the most common mistakes small business owners make is failing to separate their personal and small business finances. Many owners try to process their business transactions through their personal bank accounts, but whether they do it for convenience or to help reduce expenses and bank fees, the reasons to not do it are much more compelling — not least of which because it makes you a prime target for IRS audits.

It undermines your business professionalism

When you run a business, it pays off to appear professional, especially if you're thinking about the long term. According to small business management expert and entrepreneur Dr. Jean Murray, mixing your personal and business finances undermines that professionalism. "If you are dealing with a vendor or customer and you pull out your personal checkbook or credit card to pay a business expense, you are giving the impression that you are not a real business owner," she writes.

She adds that similarly, this same lack of separation "shouts 'hobby' to the IRS." Consequently, if the IRS doesn't view your business as a legitimate enterprise rather than a hobby, it will be more likely to deny your deductions and losses.

It makes auditing and taxes much simpler

Though the government doesn't say you should have separate bank accounts for your personal and business expenses — nor does it, in fact, say anything about how you should go about tracking said expenses — "it does require that whatever method you use, all records are accurate, complete, permanent, and show a clear record of income and deductions," says business writer Darrell Zahorsky.

The best way to do this is to avoid combining your personal and business expenses, else you find yourself facing a confusing mix of transactions on your account statement. Having a separate business statement not only provides a clear audit trail for the IRS, it also makes it a lot easier for you to declare income and expenses related to your business.

"Whether you prepare your own tax return or use an accountant, messy record keeping will cost you time, money, and possibly missed deductions," Zahorsky warns.

How to keep personal and small business banking separate

At times, keeping your personal and small business expenses from overlapping may be more difficult than it seems, especially when it comes to transactions between you and the business. According to Murray, all such transactions "must be 'arm's length,' that is, the transactions clearly separate you as a personal entity and the business as an entity."

For example, if you put money in the business — such as with cash or property — Murray says you should clearly designate whether the money is to be considered as a loan or as an owner investment. "Make sure the paperwork is complete and that it is easy to see how the transaction is considered on the books of the business," she adds. If you are using part of your home for business, you should create a rental agreement that includes all of the terms and conditions governing how you are renting space to your business.

Furthermore, if you are a sole proprietor or partner of the business, you can take a draw by writing a check to yourself from the business account; and if you are an employee, you should pay yourself just as you pay other employees in similar positions. Don't simply transfer funds from your business account to your personal account.

Ultimately, you should always strive to separate your personal and small business finances, even when it's inconvenient. Strong record keeping will make it a lot easier to manage your business and to take advantage of the deductibles you deserve. If it seems overwhelming, hire an accountant to help support you with the financial management of the business.





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Education First Wants to Hear From You!

How are we doing? We want to know (cross our heart, hope to die, stick a finger in our eye - honest!). Education First will be conducting a series of focus groups in the next couple of weeks to gain feedback from our members. We want to know what is important to you and how well we are serving you well.

Participants will be randomly selected and contacted by a member of the credit union marketing team with an invitation to participate in the focus group. If you are selected, we hope you thoughtfully consider participating. While we strive to offer products and services that will help our members achieve their financial goals, your input is the best measure of that success.

Breakfast or Lunch will be provided and participants from each group will be entered to win a \$75 Visa gift card.

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