



## Should Your Small Business Have a Cash Back Credit Card?

### Description

I won't belabour the point: **yes**, I think your small business should have a cash back credit card. With Omicron reversing small business recovery, and supply shortages continuing to plague inventory, credit cards can help free up cash flow, helping small businesses stay afloat through hard times.

If you're still on the fence, let's look at the case for small business cash back credit cards.

### Why your small business should have a cash back credit card

Perhaps the best reason to get a cash back card for your small business is to—yes—earn cash back.

Small business cards work like personal cash back cards: every purchase you make on the card will earn a small percent back. The cash back rate is normally lower on small business cards than personal cards, but it's lower for a reason. You're likely going to spend more money on your small business than your household affairs, meaning your earnings can get exceedingly high. That said, if rewards are important to you, you'll still want to compare cash back cards for small businesses. An earn rate of 1.5% to 2% is considered standard for these types of cards.

The cash back rate is one benefit, but extra perks are another. With many cash back cards, you'll have shopping and travel insurance. Extended warranties, price protection, purchase protection, trip interruption/cancellation, and baggage insurance can give your small business expenses some extra security.

As I mentioned above, small business credit cards can also help you free up cash flow. Of course, as I'll discuss below, you still want to have enough cash to cover your credit card bills. The interest rates on credit cards don't exactly work in your favour.

That said, charging every small business expense to your cash back card, even when you have cash on hand, has the additional benefit of helping you stay organized. Every purchase you and your employees make will be recorded in the card's transaction history. This can help during tax time when you're looking to get tax deductions for business expenses.

## Why you might not want a cash back credit card

Now, don't get me wrong. I understand that credit cards, whether designed for your personal affairs or your small business, come with risks, not the least of which is going into credit card debt.

They don't call credit card debt a "spiral" without good reason. If you're unable to pay off your credit card balance, your card's interest rate will be applied to the unpaid charges. The longer you fail to pay off the charges, the more you "spiral" into credit card debt.

For that reason, you don't want to depend on your credit card for business expenses you can't afford. Stick to using your card for non-risky purchases, and avoid using your credit card as an extra pool for business funds.

Keep in mind that your small business credit card *can* hurt your personal credit score if you abuse the card. Whoever applies for the business credit card will attach the card to their credit history. So long as you don't overextend your credit limits or miss payments, your small business card could help your credit score. Fail to make payments on time, however, and you could hurt your score.

## Should you use a small business cash back card?

When used responsibly, a small business cash back card can be an effective financial tool. They can help you get a small rebate back for every business you make, as well as clear up cash flow problems in the short term.

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