KEEPING BUSINESS AND PERSONAL MONEY SEPARATE

Why mixing them hurts you with lenders, investors and taxes, and how to separate them for good.

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AT A GLANCE

- Use a **separate bank account and card** for the business, and run every business dollar through them.
- Mixing money makes your real profit impossible to see, makes taxes harder, and can weaken the legal protection of an LLC or corporation.
- Move money between personal and business accounts on purpose, and record each transfer.

Why it matters

When business and personal money share one account, every transaction becomes a puzzle. Was that grocery run for the café or for home? Lenders and investors want to see the business's money clearly, usually with **business bank statements**. And if you have an LLC or corporation, mixing money can give a court a reason to treat the business as "just you," which can put your personal assets at risk. This is called **piercing the corporate veil**.

How to separate them

1. **Open a business checking account** in the business's name, using your formation papers and EIN. See **B-04 Opening a Business Bank Account**.
2. **Get a business debit or credit card** and use it only for business costs.
3. **Send all sales into the business account**, including cash and payment app sales.
4. **Pay all business bills from the business account.**
5. **Pay yourself on purpose.** Move money from the business account to your personal account as an owner draw or salary, and record it. See **M-12 Paying Yourself as a Founder**.
6. **If you pay for something personally by mistake,** record it as money you put into the business, or pay yourself back from the business account with a note.

Payment apps

If customers pay you through apps like Zelle, Venmo, Cash App or PayPal, set up **business versions** connected to your business bank account. Keep personal app accounts for personal use only.

EXAMPLE

Nadia ran her catering business through her personal account for a year. When she applied for an equipment loan, the lender asked for 12 months of business bank statements. She had none, so she spent weeks highlighting statements to prove her income. She opened a business account the same month. A year later, her next loan application took one afternoon.

TIP

Some owners open a second business account just for taxes, and move a set share of each payment into it, often 20% to 30% depending on their situation. Ask a tax preparer what share fits you.

Common mistakes

- **"Just this once" personal purchases** on the business card.
- **Depositing business cash into a personal account.**
- **Paying yourself without recording it.**
- **Using one payment app for everything.**

Your checklist

- ☐ Open a business checking account
- ☐ Get a card used only for business
- ☐ Switch payment apps to business accounts tied to the business bank
- ☐ Move all recurring business bills to the business account
- ☐ Set a regular, recorded way to pay yourself
- ☐ Consider a separate account for taxes

Key words, explained

Word	What it means
Commingling	Mixing business and personal money.
Piercing the corporate veil	When a court holds owners personally responsible for business debts, often because they mixed money.
Owner contribution	Money you put into the business from personal funds.

Where to go next

- **B-04 Opening a Business Bank Account**
- **M-12 Paying Yourself as a Founder**
- **M-01 Bookkeeping Basics: Tracking Money In and Out**

IMPORTANT

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