

INSIGHTS + NEWS

Corporate Insights: How Do I Protect My Business from a Potential Banking Crisis?

BY BOWDITCH & DEWEY • MARCH 29, 2023

Instead of debating whether there is (or will be) a banking crisis, what can you as a business owner do to protect bank accounts in a time of uncertainty? There are several practical tips to keep in mind while assessing your company's banking needs.

DO NOT KEEP ALL YOUR BUSINESS ACCOUNTS AT ONE BANK

Just like stocks, diversify your funds across multiple banks. The standard FDIC insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. Some business owners may try to create different account ownership categories at one bank, but most business accounts will fall into the same business account ownership category. The better approach is to use more than one bank for added protection. It may be more administrative work to manage varying bank accounts, but the security is worth the effort.

Consider a [Depositors Insurance Fund \(DIF\)](#) member bank as part of your diversification plan. The DIF is a private, industry-sponsored insurance fund that insures all deposits above Federal Deposit Insurance Corporation (FDIC) limits at member banks.

EDUCATE YOURSELF

Like understanding your retirement investment(s), know what your bank is doing with your money. Look at the investments and make sure the investment strategy is aligned with your risk tolerance and the [bank's fiduciary responsibilities](#). Financial literacy is a key core competency for any business owner. You don't need to be a CPA or have a finance degree; you need to understand the basic principles of financial management, budgeting, and investing. Knowing the basics of how your bank works and its investment portfolios will help you keep your money safe.

DON'T ASSUME BIGGER IS BETTER

Big banks are experiencing spikes in deposits on the heels of the Silicon Valley Bank collapse but that does not mean they are without risk. While larger banks have larger balance sheets, they typically offer less competitive rates on loans and charge larger fees than smaller banks. Regardless of size, the FDIC limit is the same.

A business owner's relationship with a bank is among the most important when guiding a business. You wouldn't continue to see a doctor with whom you don't have a rapport; a bank should be no different. A solid relationship can provide you with additional security. Studies show that bankers are more likely to alert you of risk when [there is a relationship established](#). Forging a strong connection takes patience and consistent effort, but is worth the effort.

There are no guarantees of where the banking industry will evolve as a sector, but business owners can take these steps, TODAY, to protect their capital.