

CATHAY BUSINESS CONNECT

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EXECUTIVE'S CORNER

We're in Your Corner

Saving, lending, money management – you'll find a broad range of small business and commercial banking services at Cathay Bank. But most important is that we tailor our products and tools to help you run a successful business, and provide professional service focused on your company's unique needs.

This issue of *Cathay Business Connect* spotlights various ways we can help you manage your business finances and keep them secure. Direct deposit (read more on this page) provides increased efficiency as well as reduced risk of fraud. On page 2, learn seven important ways to stay on top of payroll taxes to protect your business. If you're looking to expand your business and are in the market for a loan, you'll want to read about the "Four C's" on page 3. Cathay Bank is here to help you save too – business certificates of deposit, savings and money market accounts are designed to help you keep your cash working.

No matter your business banking needs, Cathay Bank and your Account Officer are in your corner and here to guide you as your business evolves.

Mr. Irwin Wong
Senior Executive Vice President,
Chief Retail Administration
and Regulatory Affairs Officer



Direct Deposit Offers Direct Results

Direct deposit has altered the way many companies do business. If you're looking to streamline your payroll department and offer a convenient option for your employees, you may want to consider the many advantages associated with direct deposit – a service that eliminates standard paychecks by transferring money electronically from your business account to an employee's savings or checking account.

- **Convenience.** Employees who opt to have their funds directly deposited can access their funds immediately once the deposit occurs. There's no waiting for checks to clear. As an employer, this saves you money by cutting down on work time lost to trips to the bank.
- **Increased efficiency.** With direct deposit, your accounting or payroll department will no longer have to write checks, giving employees more time to work on other tasks. Setting up direct deposit is a straightforward process. After the employee signs an authorization



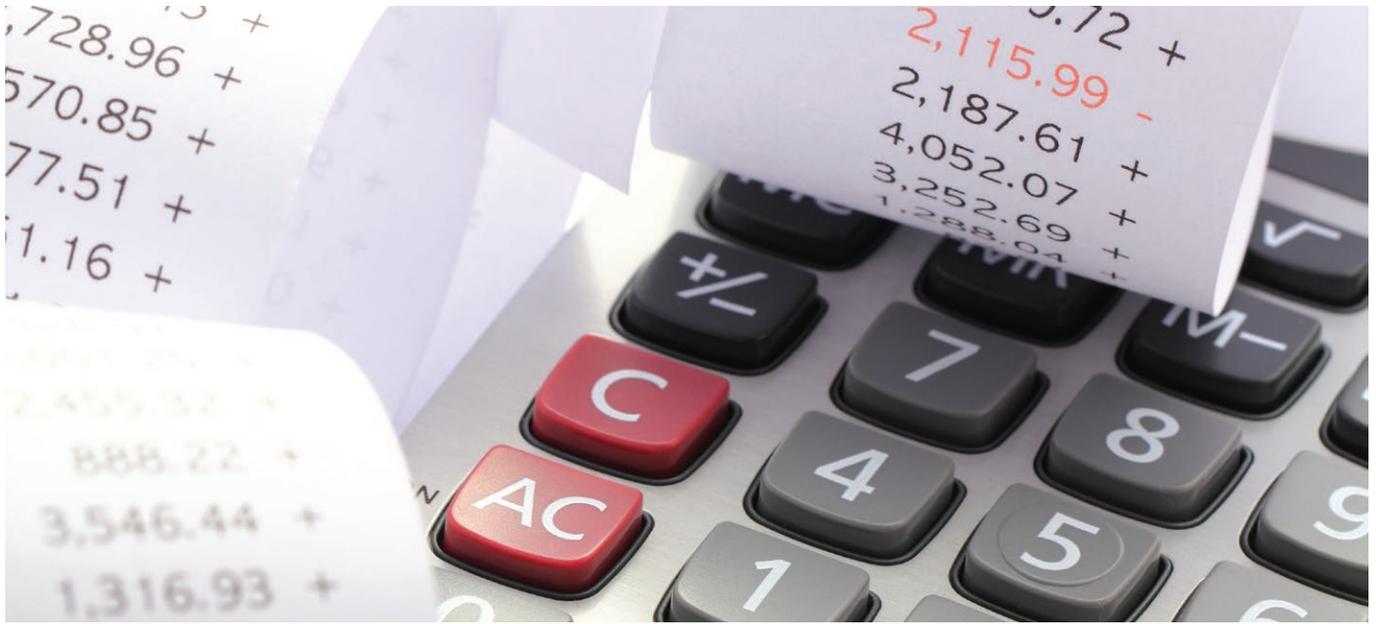
form, your direct deposit network will confirm that the routing and account numbers are correct, and will then begin forwarding to the account.

- **Reduced risk of fraud.** Since employees no longer require paper checks, the odds that a check will be stolen, manipulated or lost are lessened. As an employer, you can monitor payroll more effectively since bookkeeping time is kept to a minimum.

Cathay Bank has seen great results for businesses using direct deposit. For more information about this exciting opportunity or to inquire about other payroll services, call your Account Officer or stop by your local branch.



CATHAY BANK



PROTECT YOUR BUSINESS FROM FINES AND PENALTIES

Must-Know Info About Payroll Taxes

Small business owners face a tangle of local, state and federal taxes. Many opt to hire an accountant or tax professional to deal with them, but since you're the one who is ultimately accountable for fulfilling tax obligations, it's important to understand your responsibilities. Payroll taxes often involve detailed rules that require careful attention to avoid fines and penalties. Here are seven things you should know about payroll taxes.

- 1. Tax withholding obligations vary by state.** Payroll taxes normally include FICA (Medicare and Social Security taxes), unemployment tax and federal, state and local income taxes. Some states also require employers to withhold disability insurance taxes. Payroll taxes may be more complex for businesses with employees in more than one state.
- 2. Additional Medicare Tax took effect Jan. 1, 2013.** This tax applies to an individual's Medicare wages that exceed a threshold amount based on the taxpayer's filing status. Employers are responsible for withholding the 0.9 percent Additional Medicare Tax on an employee's wages that exceed \$200,000 in a calendar year. Withholding must begin in the pay period in which wages exceeding \$200,000 are paid. Unlike Social Security and Medicare taxes (FICA), there is no employer match for Additional Medicare Tax.
- 3. Deposit timing matters.** The schedule you must adhere to for making deposits of income tax withheld, as well as FICA taxes, is determined by your tax liability during a lookback period in a previous year. It does not depend on how often you pay your employees. See IRS Publication 15, "(Circular E), Employer's Tax Guide."
- 4. The line separating employees from independent contractors is not always clear.** Employees are subject to payroll taxes, while independent contractors are responsible for paying their own taxes. The IRS has common law rules to help business owners determine which workers are taxable employees. They include behavioral, financial and relationship tests.
- 5. It's not your money.** Money collected from employees' paychecks for payroll taxes does not belong to a business. All the money collected this way must be deposited to the appropriate tax jurisdictions. An employer cannot borrow from payroll taxes to pay operating expenses.
- 6. Laws change.** Setting up a payroll program is not a one-time event. Federal, state and local tax requirements can be revised at any time, and you need to stay up-to-date with the changes. It's crucial that you constantly evaluate and update your payroll program as needed to ensure your withholding is in line with what's required.
- 7. All federal tax deposits must be made by electronic funds transfer.** Generally, electronic fund transfers are made using the Electronic Federal Tax Payment System (EFTPS). If you do not want to use EFTPS, you can arrange for your tax professional, payroll service or Cathay Bank to make electronic deposits on your behalf.

Please note that Cathay Bank employees will not give tax or legal advice. Consult your tax advisor regarding your individual circumstances.

How Business Lenders “C” You

Have you recently started a business and need to purchase new equipment? Have you been in business for years and are looking to expand? You may be in the market for a business loan. No matter if it's your first time applying for a business loan or it's been a while since you requested financing, Cathay Bank Account Officers are here to help.

Before applying for a loan, it's helpful to brush up on the National Federation of Independent Business' "Four C's" of business banking.

Capacity. This is your ability to repay the loan. One of the most important financial documents your business banker will need to see is your cash-flow statement. It helps us analyze the loan request and determine if you have the capacity to repay the loan in a reasonable amount of time.

Capital. Do you have supporting documentation to justify the amount of money you need? It can be more difficult to get a larger loan, so it's best to meet with a business banker to determine the loan amount that is right for your situation.

Collateral. Valuable property, such as real estate, inventory or accounts receivable, may be required as security for business loan approval.

Character. Although financial matters are important, we also consider your integrity, business spirit and commitment to your community.

Call or “C” Us Today

Your Account Officer will be happy to explain how the four C's work together; discuss business loan options, rates and requirements; and help you through the application process. To learn more or make an appointment, call your Account Officer, visit www.cathaybank.com or stop by your local branch.



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These "lucky dates" are provided for entertainment purposes only. The "lucky dates" were provided to us by a third-party source unrelated to Cathay Bank and derived mainly from the Bai He Ming Almanac, and other sources including the Internet and the Tung Shing. Cathay Bank does not endorse, sponsor or guarantee the use of this information, and makes no warranty or representation regarding the accuracy, reliability or results that may be obtained from the use of this information.

DAYS SUITABLE FOR...

Opening a Business:

March: 3, 11, 16, 21, 23
 April: 4, 13, 17
 May: 8, 14, 18, 20, 25, 26, 30

Signing Contracts:

March: 21, 23, 28, 30
 April: 1, 2, 4, 7, 17, 23
 May: 8, 14, 18, 20, 21, 25, 26, 30

Travel:

March: 1, 3, 5, 9, 16, 21
 April: 2, 5, 13, 15, 17, 26
 May: 9, 18, 19, 20, 29

DAYS UNSUITABLE FOR...

Opening a Business:

March: 5, 6, 15, 19, 24, 26, 31
 April: 6, 8, 9, 10, 12, 14, 21, 28
 May: 2, 5, 6, 10, 16, 17, 21, 27, 29, 31

Signing Contracts:

March: 15, 24, 26, 31
 April: 6, 8, 9, 10, 12
 May: 7, 10, 16, 17

Travel:

March: 11, 15, 20, 20, 23
 April: 6, 7, 9, 10, 12, 16, 28
 May: 1, 6, 7, 10, 16, 17, 22, 24

PAGE 1: Direct Deposit Offers Direct Results

PAGE 2: Must-Know Info About Payroll Taxes

PAGE 3: How Business Lenders "C" You

PAGE 4: Save Like You Mean Business

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Save Like You Mean Business

Keep your cash working with a business certificate of deposit (CD) from Cathay Bank. You'll find more attractive rates than those offered by regular savings accounts. CDs are available in a wide range of terms, so they can be used for both short- and long-term savings goals. Since there's a penalty for early withdrawal, CDs are best suited for funds that you know won't be needed during the term you choose.

A CD offers a fixed rate that's guaranteed until maturity. Plus, it's a safe investment; your deposits are federally insured up to \$250,000.

When your CD matures, you have options:

- Roll it over for a new term and rate.
- Move the money to a money market savings account for more flexible access with a still-competitive rate.
- Cash out and use the funds wherever you need them.

Contact your Account Officer today. Visit www.cathaybank.com or stop by your local branch.

