

CATHAY BUSINESS CONNECT

SUMMER 2017
CATHAYBANK.COM



Banking That Can Help Your Business Succeed

Like many people, you may find that your summertime schedule gets very busy. That makes it a perfect time to enjoy the convenience of online and mobile banking. In this issue of *Cathay Business Connect*, we clear up myths that may be holding you back from taking advantage of these time-saving ways to bank.

If your business needs new equipment, learn about the Section 179 deduction on page 2. It may weigh into your decision of whether to buy or lease. The article explains how the tax incentive can save your business money.

When your business needs a loan to help it grow, being able to demonstrate that your business is positioned for success can help ease your loan approval. On page 3, we outline five essentials that lenders consider. Our Account Officers are also available to guide you on how to get a loan application approved.

You may know how convenient and cost-effective a corporate credit card is for many expenses. But do you know how to set up your program to head off misuse and internal fraud? The article on page 3 provides tips.

Cathay Bank is honored to be involved in the success of your business. Please contact us any time we can help.

Mr. Irwin Wong
Senior Executive Vice President,
Chief Operating Officer

Busting the Myths of Online and Mobile Banking

Over half of all U.S. adults use online banking services.* Are your concerns about banking online stopping you from joining in? You may be surprised to learn it's more secure than ever and virtually anything that can be done in-person can now be done, well, virtually. Take a moment to assuage your fears and dispel some myths of digital banking:

Myth: My banking information is at risk when it's sent over the internet.

✓ **Reality:** Federal laws and regulations require financial institutions to keep customer information secure and confidential.

As long as you're on a secure internet connection (such as a home or work network), have anti-virus software and are on your financial institution's website or app, then your information shouldn't be at risk. To be sure you're on an official and secure website, manually type in the web address instead of clicking a link. You should also look for an "https:" (the "s" stands for "secure") or a small lock icon next to the web address. To ensure your app is safe, always keep it updated to the latest version.

Myth: I'll be charged extra fees for banking online.

✓ **Reality:** We don't charge any extra fees for basic online services. Online Banking is a convenient way to access your account info 24/7.

Myth: I still need to go to a branch or ATM to deposit checks.

✓ **Reality:** Cathay Bank offers mobile check deposit for smartphones and tablets. Using our mobile app, you can snap a photo of a check's front and back and have it deposited into your account without ever leaving home or the office.

// continued on page 2



CATHAY BANK

Myth: I can't communicate with an actual person when I bank online.

 **Reality:** While you don't get face-to-face interaction unless you visit a branch. However, phone support is available so you can get assistance outside of normal business hours – something a physical location can't offer. Our customer service teams are ready to serve you.

READY TO TRY ONLINE BANKING?
Visit www.cathaybank.com for more information on Cathay Bank's online services and get started today.



* Source: Pew Research Center.

Should My Business Buy or Lease Equipment?

In the past, there were clear advantages for many small and midsize businesses to lease rather than purchase new equipment. But today, this decision may not be as cut and dry due to changes in tax law. In December 2015, Congress made permanent a large tax break and extended an additional first-year depreciation deduction for equipment purchases. Learn the ins and outs of these tax provisions and how they may affect your business's decision to buy or lease equipment.

FULLY DEDUCT COSTS IN THE FIRST YEAR

Section 179 of the Internal Revenue Code allows businesses to deduct the cost of qualifying capital equipment in the year it is placed in service rather than depreciating it over multiple years. The permanent cap for this write-off was \$25,000, although it had been temporarily raised by Congress many times since 2003. It wasn't permanently raised until 2015, when the new annual deduction limit was set to \$500,000.

Making this higher limit a permanent fixture enables you to plan equipment purchases and leases for your business with this tax break in mind. It also makes it easier to perform tax accounting on capital purchases less than \$500,000, since there's no need to calculate equipment depreciation over time. Just take note that if your qualifying purchases exceed \$2 million, the deduction will phase out dollar-for-dollar and be completely eliminated if you spend over \$2.5 million.

GET EXTRA DEDUCTIONS

Regardless of how large your business is, you can take advantage of an additional bonus depreciation for the next few years. Your business can deduct 50 percent of the cost of qualified equipment purchased and put in service during 2016 and 2017 in the same year. This allowance is an additional deduction you can take after any section 179 deduction. In 2018, this bonus depreciation will be reduced to 40 percent and in 2019 it will be reduced further to 30 percent (so take advantage while you can!).



THE CASE FOR LEASING

Leasing business equipment still offers benefits, too. You don't need as much capital up-front since there's rarely a down payment, whereas purchases may require a down payment of up to 20 percent. The monthly payments of a lease also tend to be smaller than for equivalent purchase plans. Some leases may even include maintenance and repairs, saving you from unexpected costs that could crop up.

Will the equipment you need quickly become obsolete? If your business relies on using the latest technology, a lease can help you stay up-to-date, since you can upgrade every time your lease expires. You also avoid the hassle of trying to sell your old, outdated equipment that would recoup little of its initial cost.

FINANCING YOUR EQUIPMENT

When you're ready to buy or lease the equipment you need for your business, turn to Cathay Bank for competitive business equipment financing.



Business Loan Application Must-Haves

Business is doing well and you're ready to expand. It's time for a loan, and you'll want to ensure that you secure funding. Your lender will want to know that you understand the products you offer and the market in which you operate. So the first thing you'll need is a business plan that shows projected financial statements, including profit and loss, cash flow and a balance sheet. Beyond that, most applications will require specific additional information.

FIVE ESSENTIAL DETAILS

Here are five essential details you'll want to be sure to provide.

Personal and business credit report. Good credit standing is vital. Prior to applying, review business and personal credit reports from major credit rating agencies. The lender will check, so you want to be sure all of the information is accurate and up-to-date. Bankruptcy or liens are red flags and you want to be sure that these do not inadvertently show up on your credit report.

Revenue. Unless lenders specialize in start-ups, they'll want to see revenue of \$100,000 or more. Because lenders generally only offer loans of 9 percent to 12 percent of your annual revenue, this amount will determine the amount of the loan.

Proof of profitability. Obviously you will need to show that your business turns a profit, but high sales volume is not enough. You'll also need to show profitability ratios that indicate overall efficiency and performance.

Cash flow. How you manage cash flow is a harbinger of success from the lender's perspective. You'll want to demonstrate that you have enough cash to pay off your expenses and their loan. Make sure your accounts receivable and accounts payable present a picture of financial health.

Debt. You'll be asked for a list of current business debts and your payment history. Lenders look closely at debt and tend to avoid being second in the lending line. If you default or go bankrupt, the first lender is paid, not the second. In this instance, less is more.

Your chances of obtaining a loan are much better if your information is concise and displays business acumen.

FINANCE WITH US

Visit Cathay Bank to discuss your business loan needs. To learn how we can help, call **800-922-8429** or visit www.cathaybank.com.



Corporate Credit Card Programs: Managing Risk

Corporate credit cards are a cost-effective and convenient solution for many business purchases. However, it's important to take steps to ensure that corporate credit card use is restricted to legitimate business expenses. Setting up your own credit limits and purchasing procedures, and heading off misuse and fraud internally can protect your bottom line and keep your liability in check.

DRAW THE LINE

In many cases, key corporate expenses made by employees are pre-authorized and pose minimal risk. A company's unique purchasing demands and the extent of travel and entertainment transactions made by individual employees may trigger the need for certain rules. Consider

the following when defining your purchasing card procedures:

- Develop a companywide Travel and Entertainment policy with rules for acceptable amounts and types of travel and entertainment purchases.
- Screen employees and be vigilant about who is given purchasing power.
- Define credit limits for card users. Corporate card programs are built with credit limits, but you can set specific limits for individual users. Doing so helps mitigate credit risk by limiting spending opportunity where it's not needed.
- Monitor individual card activity periodically to make sure spending is legitimate.

- Communicate the risks and reasons behind your purchasing card limitations. When employees and management are aware of the risks, they are more likely to take card misuse seriously.

MINIMIZE LIABILITY

With access to detailed transaction history, you can easily track spending activity and streamline accounts payable record-keeping. Even more important, careful documentation of business spending is essential for tax purposes.

Cathay Bank provides corporate card solutions tailored to your business needs. Contact us at **800-922-8429** to learn more about managing credit risk and preventing or detecting fraudulent use of cards.





CATHAY BANK

9650 FLAIR DRIVE
EL MONTE, CA 91731

Taking Steps Toward Success

Are you banking on one big leap toward success? Most businesses don't. But the right tools from your bank can help your business step up to success. See inside for helpful resources from Cathay Bank!

CATHAYBANK.COM • 1-800-922-8429



CATHAY BUSINESS CONNECT SUMMER 2017



WHAT YOU'LL FIND INSIDE:

- Busting the Myths of Online and Mobile Banking
- Should My Business Buy or Lease Equipment?
- Business Loan Application Must-Haves
- Corporate Credit Card Programs: Managing Risk

LUCKY DATES

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.

OPENING A BUSINESS	Days Suitable for ...	Days Unsuitable for ...
July	2, 9, 11, 26, 31	1, 3, 4, 8, 12, 15, 16, 18, 22, 27, 28, 30
August	8, 9, 20, 21, 22, 23	1, 6, 14, 15, 17, 18, 25, 26, 27, 29, 30
September	1, 2, 3, 8, 9, 15, 21, 23	12, 14, 16, 17, 18, 24, 28, 29
SIGNING CONTRACTS	Days Suitable for ...	Days Unsuitable for ...
July	7, 9, 11, 21, 26	N/A
August	2, 8, 9, 10, 21	18
September	1, 3, 4, 9, 15, 21	N/A
TRAVEL	Days Suitable for ...	Days Unsuitable for ...
July	1, 4, 7, 9, 11, 19, 21, 26, 27	3, 8, 12, 17, 20, 25
August	2, 9, 11, 13, 17, 23, 25, 28	1, 4, 6, 10, 14, 19, 22, 26
September	1, 4, 6, 7, 8, 14, 18, 20, 21, 23, 30	3, 10, 15, 22, 25