

# How To Find the Best Merchant Account For Your Business

By Diane Hughes

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What a great idea! Start accepting credit cards and watch your profits soar. Nothing could be simpler. Or so you thought until you began researching merchant accounts. It can all get extremely confusing. There is an easy way to find the best deal that suits your business. You'll be able to compare apples to apples and have a clear picture of what the merchant account will cost you.

Let's take a look at some of the phrases you'll encounter (in layman's terms) when you begin to search for a merchant account.

- Merchant Account Provider - The company who arranges for your payment hardware or software and your ability to accept credit cards.
- Nova - The company who processes the credit card transactions and forwards them to the appropriate credit card company for payment (Visa, MasterCard, American Express, etc.)
- Set Up Fee - The one-time amount the merchant account provider charges to set up your company in their system. For this example, we'll use a set up fee of \$65.00.
- Discount Fee - One amount (there are others) that Nova and the merchant account provider deduct from each sale as a portion of their payment for your merchant account. We'll use a discount fee of 2.25%.
- Per Transaction Fee - This is a second amount that the two companies subtract from each transaction as a portion of their payment. For our example, we'll pick a per transaction fee of \$.35.

--- Terminal or Gateway Fee - Whether you have a real terminal or a virtual gateway via the Internet, you will be assessed monthly charges to cover the use of that service. Let's say \$10.00 for our example.

--- Statement Fee - The fee for your merchant account provider to send an itemized statement each month. An average amount we can use is \$15.00.

--- Annual Fee - An annual fee just for having your merchant account. For the annual fee example, we'll choose \$35.00.

I know what you're thinking! But don't give up before you start. Remember, I'm going to show you a way to decipher all this information.

Choose a number -- any number. This will be the total number of transactions you think you might conduct during the course of a year. For our example, we'll use 100. Next, choose an average transaction amount for your product or services. We'll say \$175.00 for now. Finally, we'll calculate a year's worth of charges by using the amounts above and within the definitions.

Set Rate Charges:

Set up Fee = \$65.00 (one time only)

Gateway Fee = \$10.00/mth

Statement Fee = \$15.00/mth

Annual Fee = \$25.00/yr

Then multiply your estimated number of transactions by the \$ .35 per transaction fee. That equals \$35.00. Next, multiply the average transaction amount (\$175) by the discount rate of 2.25%. That equals \$3.94. You've estimated that you'll have 100 transactions per year, so again, multiply the \$3.94 by the 100 transactions. The total equals \$394.00. All that is left is to add them all up.

Set up Fee = \$65.00 (one time only)

Gateway Fee = \$10.00 x 12 months = \$120.00/yr

Statement Fee = \$15.00 x 12 months = \$180.00/yr

Annual Fee = \$25.00/yr

Per Transaction Fees = \$35.00/yr

Discount Rate Fees = \$394.00/yr

Total Fees & Charges For One Year = \$819.00

Let's look at one other quick example just to show you that looks can be deceiving.

This company offers the following rates:

Set up Fee = FREE

Gateway Fee = \$15.00/mth  
Statement Fee = \$10.00/mth  
Annual Fee = FREE  
Per Transaction Fees \$ .30  
Discount Rate Fees = 2.35%  
Software Lease = \$24.95/mth

Based on our same \$175 average transaction and 100 transactions per year, we come out with the following figures:

Set up Fee = FREE  
Gateway Fee =  $\$15.00 \times 12 = \$180.00$   
Statement Fee =  $\$10.00 \times 12 = \$120.00$   
Annual Fee = FREE  
Per Transaction Fees (100 transactions  $\times$  \$ .30 = \$30.00)  
Discount Rate Fees =  $\$175$  avg. transaction  $\times$  2.35% =  $\$4.11 \times 100$  transactions = \$411.00  
Software Lease =  $\$24.95 \times 12 = \$299.40$   
(an additional fee our first provider didn't charge)

Total Fees & Charges For One Year = \$1040.40.

Even with free set up and no annual fee, this company still charges over \$200 per year more than the first merchant account provider we previewed. Be very careful - the word "free" can often times be deceiving.

Merchant accounts can open a world of new business for your company. They can provide a very convenient way for your clients to pay - and for YOU to get your money. However, when you shop for a merchant account, be sure to use a standard unit of measure like we've outlined above to be very sure that you are getting the deal best suited for your company.

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Diane Hughes is an accomplished internet entrepreneur and editor of the popular ProBizTips Newsletter. You can learn more about Diane and her success in helping many start a home business and make money from home by clicking below:

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