

## Understanding Minimum Processing Fees



Hi. This is Michael Guerin of Automated Merchant Processing, LLC. And in this recording and this audio, I am going to discuss the monthly minimum processing fee.

Just a couple things before I discuss the examples that are listed on the page on the site.

First of all, these fees - if you are an existing business with a good track record of sales volume and your sales are consistent throughout the year, this fee, you will never see it and you will never pay it.

And so for probably 80 percent or 90 percent of my clients, the fee never even comes up. Some of them have the fee. They are just not paying it because their sales volume is sufficient that it never comes in.

And the second point is - why even discuss it in the first place if that is the case?

Number one, it is because pretty much it is a standard in the industry. Just about every merchant account provider is going to have this fee built into your account.

And when you do a comparison between merchant account providers, it is good to do an apples-to-apples, oranges-to-oranges comparison.

Admittedly, it is not always easy to do that for a whole host of reasons. I don't want to get into on this audio, but it is not always easy. It is not always transparent to know what you are going to pay, so it is not always easy then to do just a very simple comparison. But, understand that this is pretty much a standard in the industry.

The amount of the monthly processing fee will vary; \$25 seems to be about standard. We are less than that, but \$25 seems to be about standard.

So what is it for?

Well, it mainly affects new businesses that do not have a track record of having sales. And so for instance, what a monthly minimum processing fee means is that even in a given month, let's say you had sales, but it was all cash or check and you did absolutely no business. You did not process a single credit card. You would still have to pay a processing fee, and what you would pay would be the monthly minimum.

OK?

So, in example one, I talk about, let's say that your monthly minimum is \$25 a month and your retail and your percentage rate, just to make things easy, because if you have read any of my previous articles, there is never just one processing rate. It would not be that easy. Trust me.

Just as an aside, the rate sheets established by Visa and MasterCard are like 32 pages long and cover...

Well, the two factors that affect rate are the kind business you are and how you are going to process the cards and the type of cards they are, whether it is a reward card, a corporate card, or whatever. Those three factors affect the rate. It really is that complicated.

But, for purposes of the example, I kept all the rates the same.

So, let's say in example one, you have a \$25 monthly minimum and your processing rate was 1.72 percent. If you had \$1650 worth of transactions that you processed, that was your volume for Visa and MasterCard, your processing rate or your processing fee would be \$28.38.

If that was the case, the monthly minimum wouldn't affect you, because the actual processing fee is greater than the monthly minimum. So, the monthly minimum wouldn't apply because you actually processed enough that they are not going to hit you with this additional surcharge.

In example two, I say, OK, let's use for an example a monthly minimum of \$20 with the same processing rate. And let's say for the month you did \$975 in Visa and MasterCard sales. Your actual processing fee would be \$16.77.

Now, in this case, because your actual processing fee is less than the monthly minimum, your merchant account provider would add \$3.23 to your bill to bring your processing fee up to the minimum of \$20.

So, because actual processing fee was less than the minimum, they would add an amount to your processing fee to bring the total processing fee up to the minimum.

In the third example, let's assume a monthly minimum of \$15.

In this case, if your processing volume was \$725, so you did, for the month, \$725 in Visa and MasterCard sales. Your actual processing fee would be \$12.47. And in this case, the merchant account provider would



add \$2.53 to your bill to bring the processing fee up to the minimum of \$15.

Now, I hope that was clear and I hope that clarified the fee. If you would ask me the next question, and some people do, and they say, "Well, why do they charge the fee anyway?"

Really it is... I will just put it this way. A lot of the bigger companies, what I call the mega processing companies, they really don't want to deal with new accounts. And there is a reason for that.

If you looked at any statistics from the Small Business Association, you might see numbers that would be a little sobering. Something like 70 percent or 80 percent of businesses fail in the first five years, and that is pretty much a documented fact.

Now, I will say that, doing this business for as long as I have, I have had some of my clients close their doors. The reason, primarily, was a question of marketing, and that is not the purpose... We are not going to discuss this on the audio. But, they had a marketing issue is what they had. They couldn't get enough people into the door to keep the lights on and pay the rent.

So, because the mega processes often do not want to work with new accounts, their idea of having a monthly minimum is for them to make money. It is a profit center for them.

If your sales are low and you are struggling, they are still going to make their minimum to make it worth their time to even take you on as a client. That is a fact.

Now, the reason for that is they have call centers they have to keep open, and they pay people for that. They have sales reps, often untrained, that they have to pay to keep them in the field. And so for those reasons, it is more like an overhead issue and a cost of doing business issue. And so they are pretty open about having a high monthly minimum.

I don't know if that answers your question about why these companies have them. It is pretty standard in the industry. If you are brand new and you are just opening your first business or any other business, you are going to see these.

The goal or the idea here is - hopefully, our sales volume, as you can see by the examples, it doesn't take much sales volume to get to a point where the fee basically becomes irrelevant. You are never paying it



because your volume is so high that your actual processing fee is way beyond the minimum, and that is a good thing.

I hope this clarified the issue for you a bit. If you have any questions, there are a few things you can do. You can leave a comment right here on the page. We will answer your comments when they come in. I am always very good about responding right here on the site, so that is one way to do it.

The second is you can pick up the phone and call. The number is 877-262-3712. That comes straight to me. You can leave me a message if I am not able to pick up the phone and I will get back to you.

And then the third way is to send an email. I do a lot by email. The email address that you can use is [info@ampyourcashflow.com](mailto:info@ampyourcashflow.com). Of course, you know the website because you are here, but I may be distributing this audio elsewhere, so.

So, those are the three ways you can reach me. Any merchant account questions I will be happy to answer. Make sure you download my free report as well. I have got a lot of information in there - the three biggest rip-offs in the industry that have cost business owners thousands of dollars a year. So make sure you get a copy.

Take care and thanks again. Bye-bye.

### How Can AMP Help You?

**If you already accept credit cards** at your business, it makes sense to have a merchant account review.

And our "no-cost, no-strings-attached" review is the most complete and accurate in the industry. Guaranteed.

To claim your merchant account review, simply fax to our office your most recent merchant account statement.

**Our fax number is: 866-274-0406**

After receiving it you'll have the results in 5 to 7 business days.

**If you're getting ready to accept credit cards for the first time**, we can help you with that as well.



The first step might be to download our free report. In it we discuss the three most common rip-offs in the industry, and discuss ways to avoid them. We also discuss some of the prevalent myths associated with accepting credit cards for the first time.

You'll also receive our "17 Point Checklist." This list of critical questions gives you the power to ask the tough questions, and get the answers you need... BEFORE you sign up with any merchant account provider.

If you are ready to get started, you can call the office. We'll walk you through the steps and paperwork needed to open an account. We can also answer any questions you may have.

**You can call us at: 877-262-3712.**

If we are unable to take your call, just leave us a message and we will respond. You can also email us at:

**[info@ampyourcashflow.com](mailto:info@ampyourcashflow.com)**

We look forward to helping you get started right away. So why not give us a call now?