

Banking

Do you...

Know how to find the best checking account for you?

Feel confused over whether to “opt in” or “opt out” of overdraft protection?

Risks to consider in not knowing the basics of banking

Pay more than you need for banking services

Your bank may close your account due to excessive overdrafts

Your bank account is the hub of your financial life. You pay your bills, draw cash out of automated teller machines (ATMs), make debit transactions at stores and even transfer money using cell phones. By understanding the many tools available to perform these transactions—online banking, checking accounts, debit cards, etc.—it’s easier to manage your money and avoid unnecessary costs.

Each method used to pay for the things you purchase has advantages and disadvantages. For whatever method used, write down the amount and deduct it from your balance in the checkbook register your bank provides. Also, check your account online periodically to see which transactions have been processed and look for unauthorized activity.

Ways to access your account

DEBIT CARD

This card is tied directly to your checking account so when you buy something, the money is taken from your account. Some merchants may charge you a fee to use a debit card but it has the same conveniences as a credit card—it’s accepted almost everywhere and may be safer than carrying cash. The advantage of a debit card over a credit card is you won’t pay interest on your purchase.

ATM CARD

In most cases your debit card is also an ATM card so you can use it to get cash out of an ATM. As a general rule, if you use another bank’s ATM, your bank and the other bank will each charge you a fee.

The fees can often total \$5 or more so make sure you use an ATM within your institution’s network.

CHECK

A check also offers access to your account. You write the amount and the merchant name on the check. The money comes out of your account—sometimes the same day, other times within the next few days. Always assume the money will come out of your account on the same day to avoid possible fees. If you don’t have the money in your account when the merchant cashes your check, the merchant doesn’t get the money and you may be charged fees by the merchant and your bank.

Things to consider

OVERDRAFT FEES AND PROTECTION

An overdraft, or non-sufficient funds (NSF), is when you don’t have enough money in your account to cover the amount of a check or a debit card transaction. Your bank will charge you a fee each time this happens and the fee can be \$30 or more per overdraft. To avoid overdraft fees, consider linking your savings account to your checking account. In most cases the bank will automatically transfer money from your savings account to your checking account to cover the transaction, but the bank may still charge you a fee. Most people opt out of overdraft protection. Doing this may cause your debit transaction to be denied, but you’ll avoid a high overdraft protection fee. Checks will still incur the NSF fee charged by your bank.

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Opening a checking account

To open a checking account, most banks will verify your previous checking account history along with your credit. If both are good, the bank will allow you to open a checking account. If you've had many overdrafts or bad credit, you may be denied an account.

When opening an account, think about how you'll use it. Will you use it online, have a debit card or write checks? Are the bank's ATMs near school, work and home? Ask the bank if they have minimum balance requirements to avoid a fee. After telling the bank how you'll use your account, you can determine which account offers you the most services for the lowest monthly price. You have many banking options and each has its advantages and disadvantages. Compare large banks, community banks and credit unions using the worksheet below.

		Bank name			
		Example bank			
Features (check if available)	ATM or debit card	✓			
	Free ATMs available near school, work and home	✓			
	Direct deposit	✓			
	Online access	✓			
	Phone access	✓			
	Online bill pay	✓			
	Unlimited check writing				
	Savings account linked to checking for overdraft protection	✓			
Fees	Minimum balance needed to avoid fees	\$500			
	Online bill-pay fees	\$5/month			
	Cost to purchase checks	\$15.95			
	Monthly fees	\$2			
	Overdraft fees	\$35			
	Debit/other fees	\$5/month			

ABOUT ECMC

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