

# FDIC Consumer News - Summer 2016

## Choosing and Using the Right Bank Account *Tips for getting more out of your checking and savings*

En Español

When managing your money, the right tools can make all the difference. That's why it helps to start by opening a bank account that best fits your lifestyle and your financial goals. **FDIC Consumer News** provides some simple pointers to help you choose wisely and streamline how you manage your checking and savings accounts.



### Before You Open an Account

**Consider what you need or want from a bank account.** Think about your day-to-day life and how you like to handle your money. For example: Do you receive a fixed paycheck or pension on a regular basis or does the amount and frequency of your income vary? Do you prefer to pay for purchases using cash, credit cards, debit cards, paper checks or online bill-paying services? Is one of your personal financial goals to set aside money regularly for savings? Are you concerned about possible overdrafts and the fees you might incur as a result? The answers to questions like these will help you make an informed decision about opening a bank account that works for you.

**Comparison shop.** There are many types of bank products and services, and the fees, interest rates and special promotional offers will vary from institution to institution. Some banks will charge fees for using another bank's automated teller machines (ATMs), while others won't charge fees and they may even reimburse customers for fees (up to a certain dollar amount) charged by the ATM owner. So if you often withdraw cash from ATMs, you may want to look closely at how ATM fees are handled before signing up.

Also, some bank accounts may have minimum balance requirements or monthly maintenance fees. Many banks will reduce or even eliminate these requirements if you have your paycheck directly deposited or you have a minimum number of electronic transactions.

**Read the agreement from the bank that describes the account's terms and conditions before making a final decision.** Federal rules require certain information to be disclosed to consumers before opening an account. You can review a bank's account agreements online or by stopping by a branch. Looking at a legal document may appear intimidating or time-consuming, but many banks offer simplified disclosures and knowing how the account works is worth it to ensure that you understand all aspects of the account, including the potential fees and when they may be assessed. That's the best way to avoid surprises.

### Managing an Account

**Follow your transactions and balance your accounts.** Some consumers use pen and paper, a check register, a computer spreadsheet, a website or an app to ensure that they stay on top of what is happening in their accounts. Whichever method you choose, track every transaction — be it a deposit, check, ATM transaction, debit card transaction or online bill payment — to handle your money effectively and avoid spending more than you're comfortable with. You also can monitor your transactions using online services provided by your bank. In addition, many banks offer alerts via email or text to notify customers when their account balance drops below a specified level or when a check has cleared.

**Understand how to avoid overdraft fees for withdrawing more than what is in your account.** Opening a checking account has long been the way customers establish a relationship with a financial institution. However, a traditional checking account may not be for everyone and can quickly become harmful to your finances if you're not careful about incurring fees, including overdraft fees.

Today, many financial institutions offer a "checkless" checking account. These types of accounts generally do not come with the ability to write paper checks, but enable customers to pay bills, make purchases and otherwise withdraw money electronically by banking online or using debit cards or mobile apps.

Checkless accounts may be a great option for consumers who prefer to use their computer, smartphone or other mobile device for banking. Generally, these accounts do not come with the ability to be overdrawn, so users will not be subject to the high overdraft or insufficient funds fees that come with many traditional checking accounts.

For those who prefer typical checking accounts, a careful decision should be made regarding whether or not to "opt in" (agree) to overdraft coverage. Most banks offer overdraft programs that allow customers to make ATM withdrawals or

perform certain debit card transactions that exceed the customer's available balance. These overdraft transactions trigger fees that may reach \$35 or more per overdrafted item, but banks are only allowed to assess fees for paying an ATM or one-time debit card transaction if the customer has opted in to overdraft coverage.

If you choose not to opt in, be aware that ATM and one-time debit card transactions that go over the amount of funds in your account will be declined.

"Think carefully before deciding to opt into this kind of fee-based overdraft program," said Heather St. Germain, a senior consumer affairs specialist at the FDIC. "You could be charged several overdraft fees in a single day because most banks will assess a separate fee for each transaction that exceeds your account balance, so the costs can add up quickly."

Another option is to ask your bank if you can link your savings account to your checking account to automatically transfer funds to cover transactions when you don't have enough money in your checking account. A bank may charge a fee for this automatic transfer service, but the fee is typically smaller than an overdraft fee. Find out how the fees compare by reviewing the bank's account agreement or fee schedule. These documents are usually available online or can be picked up at a local bank branch.

The easiest way to avoid overdraft charges is to keep a close eye on your account balance and on how much you plan to spend. Also, make sure you have enough in the account to cover any automatic (typically monthly) payments you have set up.

**Direct deposit your pay and benefit checks.** Direct deposit allows your money to be safely and securely electronically deposited into your bank account. With this feature you don't have to worry about finding time to make deposits yourself. Using the service may also help you with savings, as you can set up your direct deposit to have a certain amount from each check automatically sent to your savings account.

In addition, some banks offer incentives if you sign up for direct deposit, such as increasing the account's interest rate or waiving certain minimum balance requirements and fees.

**Earn more interest, but be mindful of any conditions.** If you have money in your checking account that you do not expect to use right away, moving it to a savings account or a certificate of deposit (for a set period of time) can be a good personal-finance strategy for building short-term savings and earning more interest. But before switching accounts, find out if there may be restrictions or requirements.

"Be aware of limitations on how soon you can withdraw funds from a certificate of deposit without paying a penalty, and restrictions on the number of withdrawals during a month from a savings account," said Luke W. Reynolds, chief of the FDIC's Outreach and Program Development Section. "Your institution may also offer a different checking account product that pays a higher rate of interest, but you might need to meet certain requirements, such as having a set number of debit card withdrawals post to your statement during the month. Be sure you are likely to meet any requirements based on how you normally handle your finances."

**Help guard your accounts from theft and fraud.** Check your accounts regularly for suspicious transactions. Protect your passwords and PINs. Also avoid clicking on links or responding to emails requesting personal information such as Social Security and bank account numbers, no matter how legitimate they may look. That's because criminals create fictitious websites and emails claiming to be from government agencies or trusted companies. In general, legitimate companies will never contact you unprompted requesting sensitive information. Contact your bank to learn more about the security features it offers or tips it suggests for customers.

The bottom line: Having a bank account brings important benefits, including access to safe and affordable financial services in good times and bad. If you choose well and manage wisely, your banking relationship can evolve and grow as you do — affording you access to more options for credit, savings and investment when you are ready and when you need them.

For more tips and information on opening and managing a checking or savings account, search by topic in recent issues of *FDIC Consumer News* and at [www.mymoney.gov](http://www.mymoney.gov).

***Track every transaction — be it a deposit, check, ATM transaction, debit card transaction or online bill payment — to handle your money effectively and avoid spending more than you're comfortable with.***

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