

Choosing a Bank

Most students already have a checking account, but choosing the right financial institution and account is an important decision.

Making the right choice about your financial services provider could result in practically free banking, but the wrong choice could cost you hundreds of dollars per year.

How do you choose the best bank?

- First of all, the best “bank” may not be a bank at all, but a credit union. Many schools have associated credit unions or there may be credit unions in your area. As non-profit organizations, credit unions can often offer extremely competitive financial services when compared with major banks.
- Convenience. Consider choosing a bank or credit union with a branch near your home or school. At the very least, there should be conveniently located ATMs so you may avoid fees of \$2 or more per withdrawal.
- Low or no fees. If you are charged \$15 or more per month for a checking account, that’s \$180 per year - money you could be saving or spending on something else. Please keep in mind, however, that free accounts may have restrictive transaction limits. If you exceed a certain number of ATM withdrawals or debit card charges, you may be charged per-transaction fees that could end up costing you more than a monthly fee.
- Online Account Management Options. Managing money online saves postage, time, paper, and helps you keep on top of your account balance and spending habits. Many financial institutions also offer online bill payment and reminders as well – a great option for minimizing the chances of a missed payment.

When looking for a financial services institution, keep in mind that it could be a very long-term relationship, so shop around. And if you find that you are being charged excessive fees, simply asking whether there’s a better account option could save you a thousand dollars (or more) during your time in school.

There are two types of financial accounts commonly used by students: checking and savings.

Checking Accounts

As the revolving door of your financial life, a checking account is where your income comes in and your expenses go out. In fact, we suggest keeping only one month’s expenses in your account at any time. As we will learn in a moment, keeping your extra cash in a linked savings account can be a good strategy for maintaining your spending plan, avoiding fees, and for earning interest.

To keep the cost of your checking account as low as possible, here are some points to consider:

- **Service Charges.** While you should be able to find a checking account that does not require a monthly fee, “add-on” fees have reached record highs in recent years.

To keep checking account fees as low as possible, make sure you understand the circumstances in which add-on or monthly fees would be charged. Are you limited to a certain number of debit or ATM transactions per month before additional fees would be charged? What does it charge for using another bank’s ATM machine? Is it easy to opt out of high fee services like courtesy overdraft protection? Avoidable service charges could cost hundreds of dollars per year if you’re not careful.

- **Interest-bearing Accounts.** Think twice about interest-bearing checking accounts. It's true that interest is free money, but unless you are already wealthy, the amount of money you would earn is negligible. And many interest bearing accounts have minimum balance requirements – dip below your required minimum just once and you could be charged more fees than you would earn in interest for a year or more.
- **Consider Direct Deposit or Automatic Transfer.** If you have a job, setting up a direct paycheck deposit will reduce some fees at certain banks. Setting up automatic checking to savings deposits may also reduce fees.
- **Save Money When Reordering Checks.** When reordering checks, you can buy checks anywhere – not just from your bank or credit union. You may be able to save 50% or more ordering checks from a discount vendor online.

Financial institutions typically offer several checking account plans with different interest rates, fees and minimum balance requirements. The best choice for students is often a no-fee student checking account – just be sure to read the fine print about transaction limits and add-on fees.

As the account you use the most, it really pays to understand how to get the most from your checking account. If you are unclear on the basics of balancing a checkbook, writing checks, and related topics, we offer a separate module to get you up to speed.

Savings Accounts

Many of you opened savings accounts as kids as a safe place to keep cash gifts or earnings from odd jobs. But savings accounts can be a powerful tool for helping you manage your money, even as an adult. They earn some interest without the risk

of increased checking account fees, and can even help you stick to a budget.

Here are some good reasons to consider a savings account:

- **Automated Monthly Transfers.** If you get a lump sum of money each semester from student loans, keep most of your money in your savings account and then transfer the amount you need each month into your checking account. Having to wait until the end of the month helps to limit your spending and makes sure you don't have to rely on credit cards when loan funds are drained at the end of the semester. You should also be able to set up automatic monthly transfers from savings to checking, making this strategy even easier to manage.
- **Avoiding Penalty Fees.** Linking your savings account to your checking account can avoid courtesy overdraft fees of \$30 or more per transaction in the event you lose track of your checking balance. The money will simply be transferred from your savings to checking to cover the charge. We'll discuss overdraft protection in a moment, and courtesy overdraft protection in the next section.
- **Avoiding Monthly Fees.** If you determine that a checking account with a monthly fee is the best deal for you, linking your savings account to your checking account may help you avoid fees if a minimum balance is maintained.
- **Automatic Savings.** If you earn a monthly income, automated monthly transfers from checking to a savings account not only build a nest egg, but some banks waive account fees if an automatic checking to savings transfer is set up.

The choice you may have made years ago when opening your account may not be the best choice now. Even if you have been with your current institution for years, it's worth spending some time comparison shopping.