

## Fact Sheet: Banking

### Banking 101

Choosing the right bank is an important decision – the right choice could result in practically free banking and the wrong choice could cost you hundreds of dollars per year just for a checking account. What makes a good bank for students?

- **Location** - A bank near campus is usually a top priority. If you are keeping your bank account from home, having branches near school is also important. Getting money from another bank's ATM machine could cost up to \$2.00 per transaction.
- **No fees** - If a bank charges \$10 or more per month for a checking account, that's over \$100 per year!
- **Online Banking Options** – Besides helping you track your bank balance and spending habits, some banks offer downloadable banking records that you may use with programs like Quicken or Microsoft Money to make budgeting easier.
- **Services** – A bank that offers checking accounts tailored to students will probably save you money, but be careful about credit card offers or loans the bank may offer. Just because they are convenient may not mean they are your best choice.

### Types of Accounts

There are two types of accounts commonly used by students:

- **Checking Accounts** – This is the account you'll use the most and should include a debit card. Why? You'll need actual checks for expenses such as bills and tuition. Checks also help you keep track of your spending while forming good accounting habits. Your checking account debit card can be a convenient alternative to credit cards for everyday purchases.
- **Savings Accounts** - Savings accounts are a good option especially if you get a lump sum of money each semester from your parents or from student loans. Think of it this way - By transferring money from your savings to your checking account each month, you can reduce the chances of spending all your money before the semester is over.

See the Fact Sheet on "Avoiding Fees" for account tips.

### Debit vs. Credit Cards

Debit cards have a major advantage over credit cards since there is no "credit" involved – money is simply removed from your account when spent. You may get an unpleasant surprise if you have a charge declined, but debit cards make it harder for debt to become a way of life and help to reduce the chances of bouncing a check. It's probably better not to get overdraft protection on your debit card. Overdraft will



cover your charge instead of declining it. Then there will be a charge for the service – and you have to pay the money back.

Debit cards do have one major disadvantage compared to credit cards. Credit cards provide you with automatic fraud protection that limits your liability in case your card is stolen. In most cases, you would be responsible for \$50 or less of any unauthorized charges.

If your debit card is stolen, however, you may not have liability coverage to protect your money. You may be responsible for whatever is charged before you report it stolen.

Credit cards also provide dispute settlement when you order something that wasn't what was promised or if a merchant refuses to refund your money.

### Managing Your Accounts

Choosing a bank with the account types you need is just the first step – now you have to manage your accounts and keep track of your deposits, withdrawals and other transactions.

Your bank will send you a statement each month that lists your transactions, tells you how much money you had in your account at the beginning of the month, and how much you have at the end. The statement also lists your deposits and withdrawals for the month, as well as any interest or fees associated with the account. Save these statements - you may need them for financial aid. Also, check each statement when it arrives to make sure that it is correct. Compare the deposits and withdrawals shown with what you've written in your checkbook and what is on your debit card receipts and ATM withdrawals – this is balancing your checkbook.

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