TRANSFERRING MONEY

One thing you can’t do with a basic savings account is transfer money to another person or institution, so you can’t pay bills from your savings account. But you can generally transfer funds from your savings to your checking account.

SAFETY IN BANKING

The money you put in a bank account is insured by the Federal Deposit Insurance Corporation (FDIC), an independent agency of the U.S. government. With this protection, your deposits are secure up to the maximum coverage that Congress has approved, even if your bank or credit union goes out of business. This coverage applies separately to each bank where you have accounts.

Single accounts

Your total deposits in all the checking and savings accounts you own solely in your own name are currently insured up to $250,000.

Joint accounts

Your total share of all the checking and savings accounts you own jointly with others is currently insured up to $250,000.

In contrast to these types of bank accounts, securities investments such as stocks, bonds, and the mutual funds that invest in them are not insured or guaranteed by the FDIC.

START SMART:
The Basics of Banking
WHAT BANKS DO

For many people, the first financial institution they deal with, and the one they use most often, is a bank or credit union. That’s because banks and credit unions provide a safe and convenient way to pay your bills and accumulate savings.

Banks offer two main products: Checking accounts which allow you to transfer money by check or electronic payment to a person or organization, and savings accounts, which pay interest on your money in those accounts.

In most banks, you can transfer cash electronically from your checking account to your savings account and also from your savings account to your checking account.

CHECKING ACCOUNTS

Checking accounts allow you to handle a number of different financial transactions that it would be difficult to manage otherwise. You can write paper checks, specifying the amount you’re paying and to whom. Or, with an online account you can transfer money electronically, either as an online bill payment or by using a debit card. If you need cash, you can cash a check at a teller window in one of your bank’s branches or use an ATM.

When choosing a checking account, you need to read the account agreement carefully. Fees are a large part of what differentiates one checking account from the next. This applies to different accounts within the same bank, as well as to similar types of accounts from different banks. Here are some questions you should ask about fees before deciding on a checking account.

- Is there a monthly fixed fee to maintain your account?
- Is there a minimum balance requirement to avoid certain fees?
- Is there a fee for each check you write?
- Is there a charge for paying your bills electronically, either monthly or per transaction?
- Is there a charge for withdrawing money, or getting your checking account balances from the bank’s ATMs?
- Is there a fee for using an ATM from another bank?
- Is there a charge for using your debit card to pay for a purchase?
- Is overdraft protection available?

Perhaps the most significant fee you risk paying is if you draw more money out of your account than you have available—whether by check, debit, online bill payment, ATM withdrawal, or any other method. That situation is known as an overdraft, or having nonsufficient funds (NSF). To avoid paying the NSF fees, it’s a good idea to arrange to have overdraft protection added to your checking account.

Savings Accounts

Saving on a regular basis is often your first step toward reaching bigger financial goals, such as buying a home or having enough money to live comfortably in retirement. But savings are also important for meeting unexpected expenses, such as car repairs or replacing a major appliance, or dealing with an emergency. For that reason, you’ll want to keep part of your savings somewhere safe and easily accessible, such as a savings or money market account, where you can get to it quickly.

Basic Savings

Bank savings accounts have traditionally been one of the simplest and most convenient ways to save. These accounts typically have the lowest minimum deposit requirements and the fewest withdrawal restrictions, but they often pay the lowest interest rates of any of the savings alternatives.

Compound Interest

Most savings accounts pay compound interest, which means that your earnings are added to the balance to create a larger base on which future interest is paid. The bank will tell you whether the interest compounds daily, monthly, or on some other schedule, and when the interest is credited to your account. The more frequently it compounds, the faster your earnings will accumulate—though with small balances the increases won’t be very dramatic.