

Banking 101

Choosing the right bank is an important decision – the right choice could result in low or no-cost banking, and the wrong choice could cost you hundreds of dollars per year.

What makes a good bank for students?

- **Low 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.

Types of Accounts

There are two types of accounts commonly used by students...

- **Checking Accounts** - Every student should have a checking account that includes a debit card. Why? You'll need checks for expenses such as bills and tuition. Checking accounts also offer debit cards, which are a convenient alternative to credit cards for everyday purchases.

Many banks have special student checking accounts that can be a good deal if they fit your banking needs.

- **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. By transferring money from your saving 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.

Overdraft Protection

An overdraft (or "bounced check") occurs when your account lacks sufficient funds to cover the checks you've written. Overdraft protection is a service banks offer to help avoid bounced checks – if you write a check without enough money in the account, they will either loan you the money or transfer it from your savings account.

Overdraft protection can be a valuable service when used as intended. Otherwise, it is little more than an extra credit card with similar interest and fees. If possible, overdraft protection should take money from your savings account to avoid interest charges.



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. You may get a surprise if you have a charge declined, but debit cards make it harder for debt to become a way of life.

On the other hand, debit cards 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, you may have little liability coverage to protect your money. Whatever is charged before you report it stolen could be your responsibility. Be sure to get full details from your bank.

Managing Your Accounts

Your bank will send you statements each month that show your balance and each transaction for the month. Save these statements - you may need them for financial aid.

Check your statement when it arrives to make sure that it is correct. You'll want to compare the deposits and withdrawals to your checkbook register - if the amounts differ, determine if you or the bank made a mistake, or if a person is stealing money from your account.

Some students keep the same bank account they had in high school, and continue having the statements sent to their parent's home. There's nothing wrong with doing this – studies have shown that students have fewer financial problems when their parents are involved. However, we do recommend that you receive a copy of your statement at school so you can plan an active part in managing your money.

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