

# Take It to the Bank

## Script

### Handout 1

## Take It to the Bank

Today's banks offer a wide variety of services for your money if you choose to "Take It to the Bank."

## Where and When

Banks are catering to consumers by offering more locations and extended hours.

- **Location** – Multiple locations are convenient for customers as they run errands or commute to work or school. Drive-through windows allow us to make deposits and cash checks without leaving our cars.
- **Hours** – Longer hours make it possible for customers to do their banking early in the day or in the evening. Some banks are open from 7 a.m. to 7 p.m. on weekdays. You will want to choose a bank that is in a convenient location and fits your schedule.

## Checking Accounts

Checking accounts come with many and varied features. Savvy bank customers should carefully consider the options.

- **Types of Accounts** – Types of accounts vary by minimum balance, interest-bearing vs. non-interest-bearing and free services offered. Some banks offer special accounts for students and seniors that have a low minimum balance and no monthly fees.
- **Fees** – Most accounts have a monthly service fee. "Free" checking accounts are sometimes available with a minimum balance. Be aware that some "no fee" accounts limit the number of checks you can write. You will also pay to order checks. The charge for basic bank checks varies but may be as much as \$24 for a box of 200 checks.
- **Overdraft Protection** – Banks often charge \$25 or more for bounced checks. Overdraft protection automatically covers any checks that exceed your balance. There will be a fee plus interest for the loan, which is usually short-term.
- **Other Special Features** – Be sure to ask about price breaks, perks or special discounts.

## Saving

Is there a better place than your piggy bank to save money? Banks offer many options for saving. Consider your short-term and long-term savings goals when selecting a method of saving.

- **Types of Accounts** – smaller amounts of savings are usually best kept in a basic savings account. Interest varies by bank, but it is usually lower than other types of saving and investing. You have access to withdraw money from your savings account, usually without penalty.

- **CDs** – Certificates of Deposit usually offer higher interest than interest-bearing checking or savings accounts. However, the money may not be withdrawn for a designated period of time, usually three months to five years. The longer the term, the higher the rate.
- **MMDAs** – Money Market Deposit Accounts are often offered by banks. They invest your money in short-term loans to government agencies and corporations. There is a minimum amount for deposit, usually \$2,500.
- **CMAs** – Cash Management Accounts earn money market rates while providing the consumer with checking, ATM and debit card services. Annual account fees may be \$100 or more, unless you have at least \$50,000 in your account.
- **IRAs** – Individual Retirement Accounts or Individual Retirement Arrangements are personal retirement saving plans available to anyone who receives taxable compensation during the year (wages, salaries, fees, tips, bonuses, etc). Husbands and wives may each have an IRA, even if one person in that marriage is not working. All earnings on the amounts in an IRA are untaxed until withdrawn. Money may be withdrawn from an IRA at any time, but it may be taxed and/or penalized on withdrawal. Withdrawing from a traditional IRA prior to age 59 1/2 will result in a 10 percent excise tax as well as an ordinary income tax. (There are a few withdrawal exceptions such as death, disability, medical expense, higher education expense, etc.) Mandatory distributions for traditional IRAs must begin no later than April 1 of the year following the year the IRA owner reaches age 70 1/2. Some IRAs are for other specific savings purposes such as higher education and can be withdrawn when needed for education payments. There are 11 different types of IRAs.

## Electronic Services

Banks are changing the ways they do business.

- **ATMs** – Most of us are familiar with ATMs or Automatic Teller Machines. An ATM is a computer used to complete financial transactions. You'll see ATMs at banks, grocery stores, gas stations and other places. Be aware of ATM fees.
- **Direct Deposit** – Many businesses or organizations will send payments directly to your bank account. Usually you receive notice of the deposit in the mail or by e-mail.
- **Automatic Payments** – Sometimes utility companies, loan payments and other businesses use an automatic payment system with bills paid through direct withdrawal from your bank account.
- **Check 21** – Check 21 is Electronic Check Conversion. The clerk runs your check through a machine and hands the voided check back to you. Your check is used as a source of information – for the check number, your account number and the number that identifies your financial institution. The information is used to make a one-time electronic payment from your account – an electronic fund transfer. The check itself is not the method of payment.
- **Debit Cards** – Some banks offer debit cards. The cards look and work similar to a credit card, but they deduct the money for the purchase directly from your checking account. Be aware that some banks charge a fee, 25¢ to \$1.50, for using a debit card.
- **Online Banking** – Online Banking is available for free at many banks. You will need a computer and internet access. You can see an up-to-date account balance at any time and track check clearance. You can also pay bills. Some banks let you check your savings account, credit card accounts and brokerage accounts and make trades.

## Lending Services

- **Loans** – Interest on loans is a major source of revenue for most banks. Consumer loans might include loans for education, home improvement, debt consolidation or automobile purchases. A mortgage lending department handles money for real estate loans.
- **Credit Cards** – Some banks offer their own credit cards. Be sure to check fees, annual percentage rates and other terms.

## Other Services

- **Financial Advice** – Many banks now offer their customers financial planning or financial education programs. Remember that financial advisors who work for the bank may be biased toward their bank's products and services.
- **Investment** – Asset management, brokerage and insurance services are often available at banks though they may be provided by a subsidiary or third party. Keep in mind that these investment advisors are usually also representing an investment product and may be biased.
- **Transfer of Money** – Send money across the state or across the world.
- **Travelers Checks** – Accepted like cash in most places but usually refundable within 24 hours if lost or stolen. Some banks provide this service free with certain accounts.
- **Money Orders** – The money order is for a specified amount and is used to transfer funds to a specified payee. Most banks provide money orders for a fee.
- Ask your bank about other special services they provide.