

5 STEPS TO YOUR NEW BANK ACCOUNT



**UNDERSTAND
THE TERMS**



**DECIDE WHAT
YOU WANT**



**USE YOUR
ACCOUNTS**



**UNDERSTAND
THE OPTIONS**



**OPEN AN
ACCOUNT**



**RESOURCES
IN APPENDIX**

1 UNDERSTAND THE TERMS

KNOW THE LINGO

1. MINIMUM BALANCE

The **least amount of money** you can have in your bank account. If you have less, you may be charged a fee or the account may close.

2. MONTHLY FEE

When you have to pay a certain amount each month to keep the account open.

Some monthly fees can be waived given certain conditions.



3. CHECKING ACCOUNT

A bank account **typically used for everyday purchases and bills**. You can write checks and connect this account to a debit card.

4. OVERDRAFT

Over drafting your account is **when you take out more money than you have in your account**, leaving you with a negative balance. Some banks charge you a fee for overdrafts, while some banks decline the transaction that would have overdrafted your account instead. For example, if you had \$5 in your account, and tried to purchase a \$10 item, either you would be left with -\$5 in your account and possibly get charged a fee, or the transaction would decline at the store.

5. FDIC INSURED

If your bank or credit union is insured by either the FDIC or the NCUA, then any money you put in the bank is insured by the federal government up to \$250,000.

Most banks are insured by the federal government, but it's always good to check, especially if you decide to bank with a smaller bank or a credit union.

6. PROTECT

DEBIT VS. CREDIT CARD

A debit card takes money directly out of your checking account. On the other hand, a credit card does not.

Instead, you get a monthly statement from the credit card company, which is often totally separate from your bank, which you pay off monthly. This builds credit.

7. SAVINGS ACCOUNT

An investment account that earns interest. This is better for building up emergency, funds and working toward larger financial goals.

8. INTEREST RATE

The interest on a bank account is **the percentage the bank pays you** for keeping your money in the bank OR the percentage you pay when you borrow money from a bank, such as with a credit card or a loan. If you see the acronym APR or APY, those are both referring to the interest rate.

9. APR

Annual Percentage Rate or APR is the percentage of interest each year that you will earn by keeping your money in the bank. For example, if I had \$100 in my savings account, and the APR was 12% annually, I would make 12 dollars, leaving me with \$112 in my bank account at the end of the year.

10. APY

Annual Percentage Yield or APY is similar to APR. The difference is, the APY is the total percentage that an account can earn taking into consideration compounding interest. This concept is a bit complicated, but know that if you see the terms APR or APY they are talking about the interest rate.

2 UNDERSTAND YOUR OPTIONS

THERE IS A LOT TO KNOW WHEN IT COMES TO BANKING, THIS PAGE WILL TAKE YOU THROUGH SOME BASICS* THAT YOU MIGHT CONSIDER WHEN OPENING A BANK ACCOUNT.

You have a lot of options when it comes to banking, there are local, regional and national banks, there are credit unions, there are banks focused on community development—so how do you choose?

Furthermore, some banks offer different services and perks to customers who are opening accounts, we will also discuss those.

Let's dive in!

**Extra resources in appendix*

POSSIBLE OPTIONS & SERVICES BANKS MIGHT OFFER:

- Low or no monthly fees on accounts
- Low or no minimum balance in
- Interest on money you have in the bank
- Direct deposits
- Mobile deposits
- ATM fee coverage
- Overdraft protection
- Fraud detection & protection
- Safety Deposit Boxes
- Online services & mobile banking
- In-person services & physical branches
- Debit and credit cards
- Free checks
- Free transfers of money between accounts
- Investment accounts
- Insurance
- Loans

Not every bank will offer all of these options, out they are things that you may want to take into consideration on your search.

LOCAL, REGIONAL & NATIONAL BANKS

One thing to consider is whether you want to bank with a local, smaller bank, or a larger national bank. There are some general differences, but of course it depends on the specific bank, so always look into it. As far as safety goes, your money is safe at any size of bank as long as they are federally insured.

Local and Regional banks tend to be smaller and involved in the community. If you bank with them, you may get a more personal experience, and they may be able to offer fewer fees on your accounts. However, they probably only have offices locally or regionally.

With a national bank, you tend to find higher fees. But they may have more ATMs and branches over most of the US. There may be more options in terms of the services they offer.

One sub-category of small banks are CDFIs or Community Development Financial Institutions. These can be banks or credit unions, but their goal is to provide financial services in low-income communities and to people who lack access to financing. For example, in Jackson MS there is Hope Credit Union which is a COFI.

BANKS AND CREDIT UNIONS—WHAT'S THE DIFFERENCE?

There's not a huge difference between banks and credit unions, they both offer the same core services. However, there are a few technical differences.

1. Banks are insured by the FDIC (Federal Deposit Insurance Corporation) and Credit Unions are insured by the NCUA (National Credit Union Administration). However, as long as they are insured by one of these you're good to go, as both federally insure deposits up to \$250,000.
2. Banks are for-profit, while credit unions are nonprofit institutions.

For people who need nationwide access, and a lot of different products, a bank may be better. But those who need lower rates and fees, higher APYs, a personal touch and access to free financial education may do better with a credit union.

3 DECIDE WHAT YOU WANT

CHECKING AND SAVINGS ACCOUNTS

Most likely, you'll want to open both a checking account and a savings account, as both have different uses and are good for different goals.

If you want to deposit your pay checks and have access to your money quickly and easily for everyday purchases and bill payment, you'll want to open a checking account. On the other hand, if you want to start saving money for a long term goal such as a car, house, or emergency fund, you may want to open a savings account.

The good news is, you can open both at the same bank to make transferring money between them easy.

WHY OPEN A BANK ACCOUNT?

- Money is safe and insured by the government
- Money protected against fraud
- Receive paychecks and pay bills easily
- Earn interest on your money
- Start a relationship with a bank, making future loans easier
- Can keep an eye on your money with online banking
- You have receipts of all payments with your debit card or checks

TIP

If you are taking out a loan, you want a lower interest rate or APR/APY. But, if you are opening a bank account, you want a higher interest rate or APR/APY.

WHY?

Because when you take out a loan, you pay the interest, but when you open a bank account the bank pays you interest.

DO YOUR RESEARCH

Most banks have websites you can browse to see the different types of accounts and services they offer. And of course, you can always call a bank to ask specific questions.

A given bank may have multiple types of checking or savings accounts with different services, so compare them!

Ultimately, you need to decide what will work best for you and what features are most important to you.

You can use this list to help as you make your decision! Which of these services is important to you? (Check boxes or number your top 5-10)

- Overdraft protection
- Direct deposit of paychecks
- Mobile check deposit
- Low or no minimum balance
- Low or no monthly fees
- Fraud detection & protection
- Pays interest on account
- Free checks
- Online banking
- In-person office branch
- Covers ATM fees or has ATMs
- Good customer service
- Other...

4 OPEN AN ACCOUNT

HOW TO OPEN A BANK ACCOUNT

Whether you've decided to open a checking account, a savings account, or both, opening a bank account is easy to do!

Some banks allow you to open a bank account online, but you may opt to do it in person so you can ask questions during the process.

Do open a bank account in person, go to the bank you want an account with and talk to them about opening an account. You may want to call ahead to make an appointment, but you can also just drop by their office.

CLOSE OLD ACCOUNTS

Make sure you close any old bank accounts, even if you have taken all your money out it may not be officially closed.

If you have an account you aren't 100% sure you closed, make sure to call your old bank and officially close your accounts with them.

YOU WILL NEED....

- A valid form of ID
- Basic information such as address, phone # & Social Security #
- Possibly a minimum opening deposit (usually around \$5-25)
- If it's a joint account, you will need the other person's information as well.
- If you are under 18 you will need a co-owner on the account.

SAFE INVESTMENT ACCOUNTS

There may come a time where you have a chunk of money that you want to invest, but don't know where to start.

Banks often have safe investment accounts that you can put your money in.

Unlike investing in the stock market, certain investment accounts that banks offer provide a safe place to put your money and a predictable return on that money. That means you won't lose it, and you will know exactly how much you will make by investing that money.

One such account that some banks offer is called a Certificate of Deposit or CD account. When you put your money in a CD account, you can't access it for a certain amount of time, but you get a stable return on your money.

For example, let's say you put \$1000 in a 1 year CD account with an interest rate (APY) of 4%. You can't access it for a year, but at the end of that year you will have \$1040.



5 USE YOUR ACCOUNTS

NOW THAT YOU HAVE A BANK ACCOUNT, OR MAYBE A CHECKING AND A SAVINGS ACCOUNT, WHAT CAN YOU DO? HOW DO YOU USE IT?



WHAT YOU CAN DO WITH A BANK ACCOUNT...

- Deposit your paychecks directly into your account with direct deposit (set this up with your employer)
- Deposit other checks and cash into your account
- Use your debit card for purchases or withdraw cash at ATMs
- Pay your bills, you can possibly set them to autopay depending on the bank and the place you're paying
- Transfer money between accounts
- Put money into your savings account

REACHING YOUR FINANCIAL GOALS

Your goal may be getting out of debt, buying a car, paying off student loans, establishing an emergency fund, or buying a house.

Whatever your goal is, putting your money somewhere safe is a good first step to financial security and progress.

Make sure to talk to your bank if you have any questions about your financial goals. Some banks, especially credit unions and CDFIs have free financial education & counseling to help people reach their financial goals.

The rest of the journey is yours, always use your resources and talk to people if you have questions. There are links to resources in the appendix.

TIPS

- Make sure you know your bank's routing number and your account numbers—these numbers also appear on any checks you have
- Maintain minimum balance on account if required
- Get a debit card for daily use
- Login to your bank account at least once a month to make sure everything looks right
- If your bank has a banking app, download it for easier access to your accounts
- Check with your bank to see if they have any financial education resources
- Stay in good standing with your bank to make taking out loans in the future easier

APPENDIX

GREAT LOCAL (JACKSON & MISSISSIPPI) BANKING OPTIONS:

- Hope Credit Union: hopec.org
- Mississippi Federal Credit Union: msfcu.us

FINANCIAL EDUCATION RESOURCES:

- Consumer Financial Protection Bureau Bank Accounts and Services Guide: www.consumerfinance.gov/consumer-tools/
- Mississippi Department of Banking and Consumer Finance – Financial Literacy: doc.ms.gov/financial-literacy-education-resource-center/
- FDIC Money Smart Program: www.fdic.gov/consumer-resource-center/money-smart
- FDIC Consumer Assistance Topics: www.fdic.gov/resources/consumers/consumer-assistance-topics/
- FDIC Reasons to open a bank account: www.fdic.gov/getbanked/pdf/top-reasons-to-open-a-bank-account.pdf
- Mississippi Treasury Financial Education: treasury.ms.gov/for-citizens/financial-empowerment/
- More about CDFIs: www.cdfifund.gov/programs-training/certification/cdfi