FDIC Consumer News
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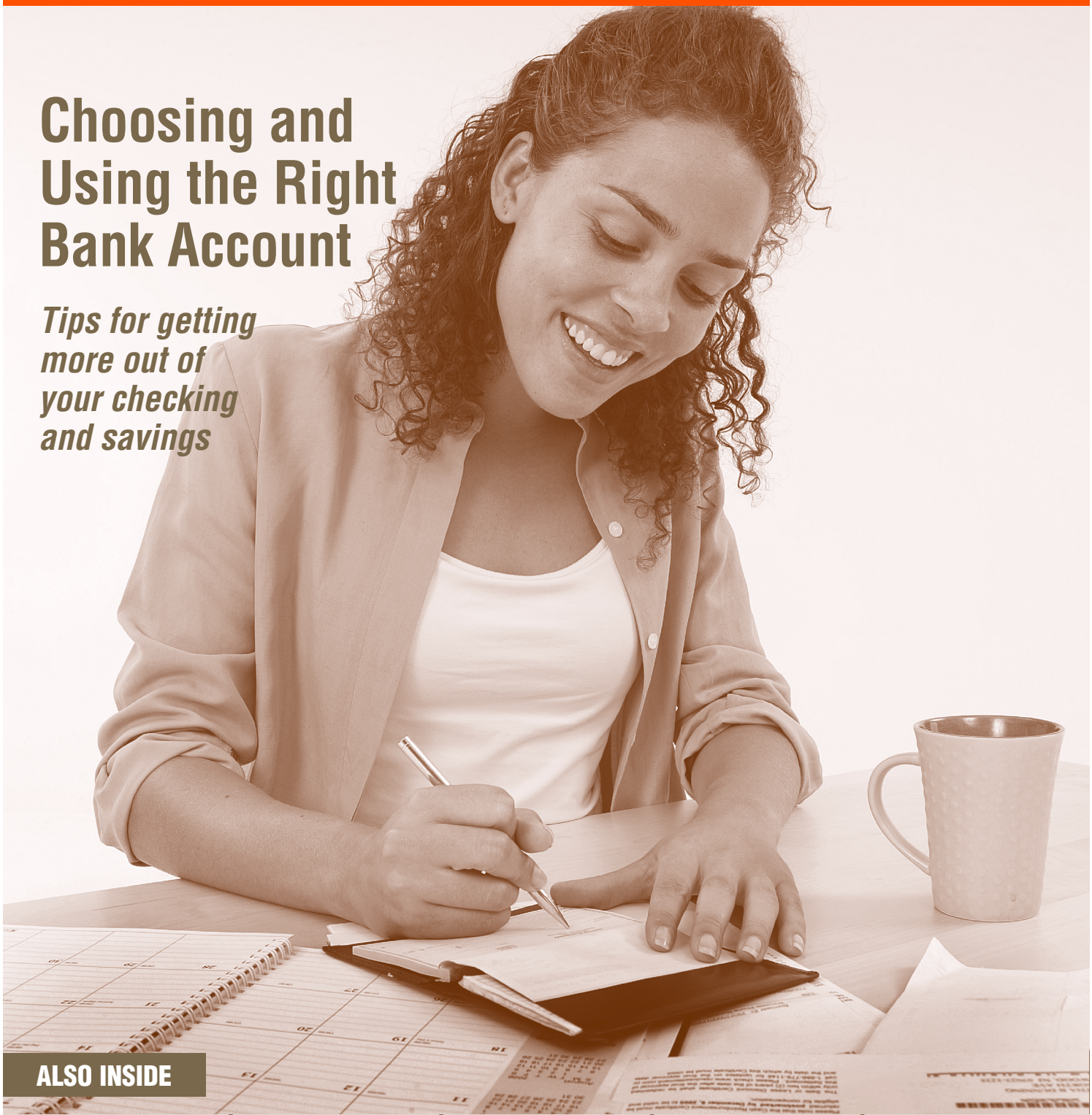
Choosing and Using the Right Bank Account

Tips for getting more out of your checking and savings



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FEDERAL DEPOSIT INSURANCE CORPORATION

Choosing and Using the Right Bank Account

Tips for getting more out of your checking and savings

When managing your money, the right tools can make all the difference. That's why it helps to start by opening a bank account that best fits your lifestyle and your financial goals. ***FDIC Consumer News*** provides some simple pointers to help you choose wisely and streamline how you manage your checking and savings accounts.

Before You Open an Account

Consider what you need or want from a bank account. Think about your day-to-day life and how you like to handle your money. For example: Do you receive a fixed paycheck or pension on a regular basis or does the amount and frequency of your income vary? Do you prefer to pay for purchases using cash, credit cards, debit cards, paper checks or online bill-paying services? Is one of your personal financial goals to set aside money regularly for savings? Are you concerned about possible overdrafts and the fees you might incur as a result? The answers to questions like these will help you make an informed decision about opening a bank account that works for you.

Comparison shop. There are many types of bank products and services, and the fees, interest rates and special promotional offers will vary from institution to institution. Some banks will charge fees for using another bank's automated teller machines (ATMs), while others won't charge fees and they may even reimburse customers for fees (up to a certain dollar amount) charged by the ATM owner. So if you often withdraw cash from ATMs, you may want to look closely at how ATM fees are handled before signing up.

Also, some bank accounts may have minimum balance requirements or monthly maintenance fees. Many banks will reduce or even eliminate these requirements if you have your paycheck directly deposited or you have a minimum number of electronic transactions.

Read the agreement from the bank that describes the account's terms and conditions before making a final decision. Federal rules require certain information to be disclosed to consumers before opening an account. You can review a bank's account agreements online or by stopping by a branch. Looking at a legal document may appear intimidating or time-consuming, but many banks offer simplified disclosures and knowing how the account works is worth it to ensure that you understand all aspects of the account, including the potential fees and when they may be assessed. That's the best way to avoid surprises.

Managing an Account

Follow your transactions and balance your accounts. Some consumers use pen and paper, a check register, a computer spreadsheet, a website or an app to ensure that they stay on top of what is happening in their accounts. Whichever method you choose, track every transaction — be it a deposit, check, ATM transaction, debit card transaction or online bill payment — to handle your money effectively and avoid spending more than you're comfortable with. You also can monitor your transactions using online services provided by your bank. In addition, many banks offer alerts via email or text to notify customers when their account balance drops below a specified level or when a check has cleared.

Understand how to avoid overdraft fees for withdrawing more than what is in your account. Opening a checking account has long been the way customers establish a relationship with a financial institution. However, a traditional checking account may not be for everyone and can quickly become harmful to your finances if you're not careful about incurring fees, including overdraft fees.

Today, many financial institutions offer a "checkless" checking account. These types of accounts generally do not come with the ability to write

paper checks, but enable customers to pay bills, make purchases and otherwise withdraw money electronically by banking online or using debit cards or mobile apps.

Checkless accounts may be a great option for consumers who prefer to use their computer, smartphone or other mobile device for banking. Generally, these accounts do not come with the ability to be overdrawn, so users will not be subject to the high overdraft or insufficient funds fees that come with many traditional checking accounts.

For those who prefer typical checking accounts, a careful decision should be made regarding whether or not to "opt in" (agree) to overdraft coverage. Most banks offer overdraft programs that allow customers to make ATM withdrawals or perform certain debit card transactions that exceed the customer's available balance. These overdraft transactions trigger fees that may reach $35 or more per overdrafted item, but banks are only allowed to assess fees for paying an ATM or one-time debit card transaction if the customer has opted in to overdraft coverage.

If you choose not to opt in, be aware that ATM and one-time debit card transactions that go over the amount of funds in your account will be declined.

"Think carefully before deciding to opt into this kind of fee-based overdraft program," said Heather St. Germain, a senior consumer affairs specialist at the FDIC. "You could be charged several overdraft fees in a single day because most banks will assess a separate fee for each transaction that exceeds your account balance, so the costs can add up quickly."

Another option is to ask your bank if you can link your savings account to your checking account to automatically transfer funds to cover transactions when you don't have enough money in your checking account. A bank may charge a fee for this automatic transfer service, but the fee is typically smaller than an overdraft fee. Find out how the fees compare by reviewing the bank's account agreement or fee schedule. These documents are usually available online or can be picked up at a local bank branch.

The easiest way to avoid overdraft charges is to keep a close eye on your account balance and on how much you plan to spend. Also, make sure you have enough in the account to cover any automatic (typically monthly) payments you have set up.

Track every transaction — be it a deposit, check, ATM transaction, debit card transaction or online bill payment — to handle your money effectively and avoid spending more than you're comfortable with.

Direct deposit your pay and benefit checks. Direct deposit allows your money to be safely and securely electronically deposited into your bank account. With this feature you don't have to worry about finding time to make deposits yourself. Using the service may also help you with savings, as you can set up your direct deposit to have a certain amount from each check automatically sent to your savings account.

In addition, some banks offer incentives if you sign up for direct deposit, such as increasing the account's interest rate or waiving certain minimum balance requirements and fees.

Earn more interest, but be mindful of any conditions. If you have money in your checking account that you do not expect to use right away, moving it to a savings account or a certificate of deposit (for a set period of time) can be a good personal-finance strategy for building short-term savings and earning more interest. But before switching accounts, find out if there may be restrictions or requirements.

"Be aware of limitations on how soon you can withdraw funds from a certificate of deposit without paying a penalty, and restrictions on the number of withdrawals during a month from a savings account," said Luke W. Reynolds, chief of the FDIC's Outreach and Program Development Section. "Your institution may also offer a different checking account product that pays a higher rate of interest, but you might need to meet certain requirements, such as having a set number of debit card withdrawals post to your statement during the month. Be sure you are likely to meet any requirements based on how you normally handle your finances."

Help guard your accounts from theft and fraud. Check your accounts regularly for suspicious transactions. Protect your passwords and PINs. Also avoid clicking on links or responding to emails requesting personal information such as Social Security and bank account numbers, no matter how legitimate they may look. That's because criminals create fictitious websites and emails claiming to be from government agencies or trusted companies. In general, legitimate companies will never contact you unprompted requesting sensitive information. Contact your bank to learn more about the security features it offers or tips it suggests for customers.

The bottom line: Having a bank account brings important benefits, including access to safe and affordable financial services in good times and bad. If you choose well and manage wisely, your banking relationship can evolve and grow as you do — affording you access to more options for credit, savings and investment when you are ready and when you need them.

For more tips and information on opening and managing a checking or savings account, search by topic in recent issues of ***FDIC Consumer News*** (at www.fdic.gov/consumernews) and at www.mymoney.gov.

How Do You Deposit a Check with Your Smartphone or Tablet?

Start by taking photos … and taking precautions

At an increasing number of banks, consumers can use a smartphone or tablet to deposit a check into their account from anywhere they can access their account remotely. Simply endorse the check (just like you would at the ATM or teller), use your mobile device to snap a photo of the front and back, and deposit the check using the bank's mobile application (app).

This service — often called "remote deposit capture" or RDC — is becoming more common at banks and more popular with consumers. Still, there are potential costs and security risks. ***FDIC Consumer News*** is offering our latest tips and reminders.

Review and understand your bank's RDC policies and fees. This information will generally be on the bank's app or website. "For example, find out if there is a limit on the total dollar amount or number of checks that you can deposit via RDC in a certain time period," said Deborah Shaw, an FDIC senior technology specialist.

Additionally, you should determine how long the bank requires you to keep the original check after you deposit it using RDC.

Confirm when the funds from your deposited check will be made available to you. Federal rules allow banking institutions to put a temporary "hold" on certain deposits, and require institutions to provide disclosures to customers stating when their funds will be available for withdrawal. "If you do not find this information on the bank's app or website, talk to an employee," said Luke W. Reynolds, Chief of the FDIC's Outreach and Program Development Section. "Also confirm the cutoff time for deposits to be considered received that day; this may not be the same as the bank's normal closing time."

Take steps to avoid potential problems. RDC creates the risk that a check could be deposited more than once. That could happen accidentally if, for example, a wife deposits a check electronically using RDC and then her spouse, not realizing that the check is already deposited, sees the paper check and deposits it at the bank. Or, a fraudster could steal a check, alter it and attempt to deposit the funds.

Shaw advises writing "for mobile deposit only" or "deposited" on the back of the paper check and securely storing the check for as long as required according to your bank's policies. After the bank's recommended retention period ends, RDC users should shred the paper check.

Always monitor your accounts. As you would if you were depositing money any other way, make sure deposits and other transactions have been properly posted to your account. "You can check your account online or through the mobile app," Shaw said. "Your bank also may provide email alerts about changes in account balances or unusual activity on your account." She added that your bank also may be able to notify you by email or text message when RDC deposits are posted to your account or if there is a problem with a deposit.

For more help or information regarding remote deposits, contact your bank.

The FDIC's Greatest Hits: Popular Topics for Readers

Take a look at what many consumers are interested in reading (based in large part on "hits" on the FDIC's website) and consider which ones you might find helpful.

Protecting Your Plastic from High-Tech Criminals
(www.fdic.gov/consumers/consumer/news/cnspr13/protectplastic.html)

Financial Tips for Seniors
(www.fdic.gov/consumers/consumer/news/cnsum13)

5 Common Misconceptions About FDIC Insurance ... and the Real Facts
https://www.fdic.gov/consumers/consumer/news/cnfall14/misconceptions.html

You've Been Turned Down for a Checking or Savings Account. Now What?
(www.fdic.gov/consumers/consumer/news/cnfall13/deniedchecking.html)

When a Broker Offers a Bank CD: It Pays to Do Some Research
(www.fdic.gov/consumers/consumer/news/cnspr13/cdsfrombrokers.html)

Need to Stop a Payment? Know Who to Contact and How
(www.fdic.gov/consumers/consumer/news/cnwin1213/stoppayment.html)

Shopping Tips for Loans and Credit Cards: Ways to be a Better-informed Consumer
(www.fdic.gov/consumers/consumer/news/cnfall15)

Mobile Banking and Payments: New Uses for Phones...and Even Watches
(www.fdic.gov/consumers/consumer/news/cnsum15/mobilebanking.html)

Person-to-Person (P2P) Payments Online: What to Know Before You Click and Send That Money
(www.fdic.gov/consumers/consumer/news/cnspr14/p2p.html)

When Small Charges Can Signal a Big Crime

Counting every penny on your credit and debit card statements can help detect fraud

Most people looking at their bank statements would probably notice if their credit or debit card were used without their approval to purchase a big ticket item, and they would quickly call their bank or card issuer to report the error or fraudulent transaction. But consumers are less likely to be suspicious of very small charges, including those less than a dollar ... which is why criminals like to make them.

"These small transactions might be signs that someone has learned your account information and is using it to commit a crime," said Michael Benardo, manager of the FDIC's Cyber Fraud and Financial Crimes Section. "That's why it's important to be on the lookout for fraudulent transactions, no matter how small."

He added, "When thieves fraudulently obtain someone else's credit or debit card information and create a counterfeit card, they might test it out with a small transaction — like buying a pack of gum or a soda — to make sure the counterfeit card works before using it to make a big purchase. If this test goes unnoticed by the true account holder, thieves will use the card to buy something expensive that they want or that they can easily sell for cash."

In one example, the Federal Trade Commission alleged that a group of individuals stole nearly $10 million by making charges to more than a million credit and debit cards that went unnoticed by most of cardholders because the transactions ranged from 20 cents to $10.

Even a small deposit in your checking or savings account that you weren't expecting could be a sign that criminals have learned your account information and are trying to link your account to theirs so they can fraudulently withdraw money, perhaps your entire balance. Note: Be aware that if you ask to link your accounts at two different financial institutions, such as when setting up automatic transfers for investment or payment purposes, many banks and other payment providers may make test charges or deposits of less than $1 to verify that the proper arrangements have been made.

"When thieves fraudulently obtain someone else's credit or debit card information and create a counterfeit card, they might test it out with a small transaction — like buying a pack of gum or a soda — to make sure the counterfeit card works before using it to make a big purchase," said Michael Benardo, manager of the FDIC's Cyber Fraud and Financial Crimes Section.

What can consumers to do protect themselves? Be on the lookout for small transactions you don't think you've conducted or authorized. "The best way to catch this kind of fraud is to regularly and thoroughly review your bank and credit card statements to look for transactions that you didn't initiate," Benardo said. "If you have online access to your bank and credit card accounts, it is a good idea to check them regularly, perhaps weekly, for suspicious activity."

Immediately contact your bank or credit card issuer if you see a transaction that you didn't authorize and ask for it to be reversed. Debit card users in particular should promptly report an unauthorized transaction. While federal protections for credit cards cap losses from fraudulent charges at $50, a consumer's liability limit for a debit card could be up to $500 or more if you don't notify your bank within two business days after discovering the theft.

Also ask your bank or credit card issuer about additional precautions it could take to prevent fraud on your account. "For a period of time, it might monitor your account more closely for fraudulent transactions," Benardo said. "Or, it may determine that the best course of action is to close your current account and issue you a new card with a new account number."

To learn more about how to keep your credit and debit cards safe from fraud, see our article in the Spring 2013 F***DIC Consumer News*** (www.fdic.gov/consumers/consumer/news/cnspr13/protectplastic.html). For more about your consumer protections, see our Winter 2016 issue (www.fdic.gov/consumers/consumer/news/cnwin16/limit_losses.html).

Preparing Your Finances for a Flood, Fire or Other Disaster: Having a Plan

Without warning, a flood, fire or other disaster could leave you with a severely damaged home, destroyed belongings and barriers to managing your finances.

Many people think of disaster preparedness as having a stockpile of water, canned food, and flashlights, but people also need access to cash and financial services. That's why it is important to include financial preparedness in your disaster plans. Here is our latest summary of important preparations.

Periodically review your insurance coverage. You should have enough insurance to cover the cost to replace or repair your home, car and other valuable property, as well as temporary housing if you are displaced from your home. Those who do not own a home should have renters insurance. Also, make sure that you have the right kind of coverage for the types of disasters likely to occur in your area. For example, homeowner's insurance does not typically cover events such as flooding or earthquakes, so you may want to consider whether you need additional coverage.

Build and maintain an emergency savings fund. While your personal hazard insurance should cover most or all of the damage to your home and property, an emergency savings fund deposited in an insured financial institution can provide for immediate expenses and help fill the gaps.

Sign up for direct deposit of your paycheck or government benefits. "In a disaster, taking care of simple things like depositing a check can be overwhelming," said Surge Sen, chief of the Supervisory Policy Section in the FDIC's Division of Depositor and Consumer Protection. "Direct deposit will help you avoid missing out on important income during a disaster."

Consider arranging for online and/or mobile banking. Your bank branch may be temporarily inaccessible after a disaster. Most bank accounts enable you to pay bills online and deposit checks and conduct other transactions using your smartphone or other mobile device. (See the article on remote deposits on Page 4.)

Gather and organize important documentation. Here are suggestions for what to collect, followed by where to keep these items:

- A list of phone numbers, web addresses and other contact information for your bank, brokerage firms and insurance companies.

- Originals and copies of identification documents such as your driver's license, passport, Social Security card and birth certificate. These will be helpful if you have to prove you are who you say you are. While it is best to have originals, it is important to have copies in case the originals are lost or destroyed.

- Copies of credit and debit cards (front and back) and a check (front). During an emergency, you may need your account information from these documents to authorize payments over the phone.

- Originals and copies of insurance cards and documentation of health, homeowner/renter, auto and life insurance coverage.

- An inventory of valuable personal property. "It's fairly easy to take a video of your property, but you should also separately document the value of the items by keeping receipts, written appraisals, and documentation of any home improvements," Sen noted.

- Records of property ownership, such as a copy of your most recent property tax bill.

Think about what to keep where. The following are options to consider.

- **Digital storage:** Many documents can be kept electronically. When deciding which documents to keep electronically, security and access are major considerations. Among other things, consider whether and how to access the documents using your smartphone or a computer. Be sure to encrypt the sensitive material and set your phone security to require a PIN, a password, your thumbprint or another option recommended by your phone manufacturer to unlock your screen.

Photo: Federal Emergency Management Agency

- **A safe deposit box at your bank:** This may be the best place for important documents that will be difficult or impossible to replace, and that you won't need to access. In case there's a flood or other water damage, seal these items in waterproof plastic bags or containers. Some states do not allow immediate access to a safe deposit box after death, so talk to a lawyer before deciding whether to leave your original will in your safe deposit box.

- **A waterproof emergency evacuation bag:** In addition to personal safety items, it should include copies of some of the important documents discussed above (except perhaps a copy of your Social Security card or number in case your bag is lost or stolen) and a small amount of cash (large amounts of cash are better off in your FDIC-insured bank account). Keep your evacuation bag in a safe and secure place in your home.

For more information, including how to assemble a preparedness kit to grab and go if you had only a few moments to evacuate your home, read tips from FEMA — the Federal Emergency Management Agency — at www.ready.gov.

Updates and Reminders

The FDIC also has added a Web page to help consumers understand when deposit insurance coverage would apply to funds on their prepaid cards. A variety of entities market prepaid cards that state that they offer FDIC deposit insurance coverage to cardholders. The new page makes clear that the prepaid card a consumer selects is insured by the FDIC if specific deposit insurance requirements are met, and that the coverage only applies if the bank fails and not, for example, if the card is lost or stolen. Learn more at www.fdic.gov/deposit/deposits/prepaid.html.

Educational resources from the federal government can help seniors avoid scams. One is a guide from the Securities and Exchange Commission and the Consumer Financial Protection Bureau (CFPB) to help adults prepare for a time when they may lose the ability to manage their money or property because of a serious illness or advanced age. Called "Planning for Diminished Capacity and Illness" (online at www.sec.gov/oiea/investor-alerts-bulletins/ib_illness.html), this guide features tips on creating and organizing important documents and getting help sooner rather than later from trusted individuals. The resources can be useful for adults preparing for the future as well as those who may be helping a parent or loved one who has diminished financial capacity.

The CFPB separately offers tips for seniors on how to work with a financial institution to reduce the risk of financial abuse (go to www.consumerfinance.gov/blog/older-americans-are-not-alone-in-the-fight-to-stop-financial-abuse). In addition, "Money Smart for Older Adults" is an educational tool from the FDIC and CFPB to help prevent and respond to elder financial exploitation. The resource guide for consumers is at http://files.consumerfinance.gov/f/201306_cfpb_msoa-participant-guide.pdf. Materials for educators are available at https://catalog.fdic.gov.

The Federal Trade Commission has recently issued consumer information on how to avoid money wiring scams. For tips and a video on how to spot requests to wire money to a thief posing as someone else, start at www.consumer.ftc.gov/blog/avoiding-money-wiring-scams. For additional guidance, see our Summer 2013 article "Don't Get Taken by Wire Transfer Scams" (www.fdic.gov/consumers/consumer/news/cnsum13/wire-transfer-scams.html).

A series of "Newcomer's Guides to Managing Money" from the CFPB can help recent immigrants avoid financial pitfalls. The publications outline basic financial concepts for those new to the United States, including those with limited English proficiency, covering topics such as receiving wages or other payments, opening a checking account, paying bills and selecting financial products and services. The guides also include information on how to submit a complaint. Both English- and Spanish-language versions are available. To learn more, start at www.consumerfinance.gov/blog/the-newcomers-guides-to-managing-money. And for educational resources from the FDIC in Spanish, including tips for parents and caregivers to help children learn more about money, start at https://fdic.gov/quicklinks/spanish.html.

Reminder: As children go back to school, parents and teachers can go to the FDIC's website for free resources on helping young people learn about money management. These include age-appropriate tips and conversation-starters in the Spring 2015 ***FDIC Consumer News*** (www.fdic.gov/consumers/consumer/news/cnspr15) and in our new "Money Smart for Young People" curriculum (www.fdic.gov/consumers/consumer/moneysmart/young.html). To access these and other FDIC resources for parents and teachers, start at www.fdic.gov/education.

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For More Help or Information

Go to www.fdic.gov or call the FDIC toll-free at 1-877-ASK-FDIC (1-877-275-3342)

Money Smart at 15: The FDIC's Free Financial Education Curriculum

The key to building a financially secure future is making financially sound decisions starting today. For the past 15 years, the FDIC has offered free financial education resources through the Money Smart program that can help consumers make more informed choices on matters from shopping for a bank account to avoiding unnecessary fees.

Money Smart materials are developed to help individuals learn on their own (including podcasts suitable for all ages to learn financial lessons on the go) or in a classroom, workshop or seminar. They are available online. The curriculum also has been translated in multiple languages and is available in large-print and Braille editions. And, the FDIC's Money Smart News is a quarterly online newsletter featuring tips, updates and success stories for financial educators. It includes articles on how the curriculum is used to help consumers of all ages.

Since its inception in 2001, Money Smart has grown from financial education just for adults to a range of curriculums including ones for children Pre-K through 12th grade, adults age 62 or older, and entrepreneurs hoping to achieve their dream of successful business ownership. Along the way, more than three million people have received training using Money Smart.

"Our research shows that adults who participated in Money Smart training were more likely to open deposit accounts, save money, use a budget, and comparison shop for financial services than they were before the training," said Luke W. Reynolds, chief of the FDIC's Outreach and Program Development Section.

To learn more about the Money Smart family of products and resources, go to www.fdic.gov/moneysmart.