

UNDERSTANDING BANKING AND FINANCIAL SERVICES



INTRODUCTION

UNDERSTANDING BANKING AND FINANCIAL SERVICES IS CRUCIAL FOR MANAGING YOUR MONEY EFFECTIVELY AND ACHIEVING FINANCIAL STABILITY. FOR MANY UNDERPRIVILEGED ADULTS, NAVIGATING THE BANKING SYSTEM CAN BE INTIMIDATING AND CONFUSING. THIS ARTICLE AIMS TO PROVIDE COMPREHENSIVE INFORMATION ON THE TYPES OF BANK ACCOUNTS, HOW TO CHOOSE THE RIGHT BANK AND ACCOUNT, AND OTHER RELATED FINANCIAL SERVICES IN A CLEAR AND EASY-TO-UNDERSTAND MANNER.

TYPES OF BANK ACCOUNTS

1. CHECKING ACCOUNTS

- PURPOSE: USED FOR EVERYDAY TRANSACTIONS SUCH AS PAYING BILLS, WITHDRAWING CASH, AND MAKING PURCHASES.
- FEATURES:
 - OFFERS CHECK-WRITING CAPABILITIES.
 - PROVIDES A DEBIT CARD FOR ATM WITHDRAWALS AND PURCHASES.
 - MAY HAVE MONTHLY MAINTENANCE FEES, WHICH CAN SOMETIMES BE WAIVED BY MEETING CERTAIN REQUIREMENTS (LIKE MAINTAINING A MINIMUM BALANCE OR HAVING DIRECT DEPOSITS).
 - TYPICALLY DOES NOT EARN INTEREST.
 - EXAMPLE: MARIA USES HER CHECKING ACCOUNT TO PAY HER RENT, UTILITIES, AND GROCERY BILLS. SHE ALSO HAS HER PAYCHECK DIRECTLY DEPOSITED INTO THIS ACCOUNT.

2. SAVINGS ACCOUNTS

- PURPOSE: DESIGNED FOR SAVING MONEY OVER TIME.
- FEATURES:
 - EARNS INTEREST ON THE BALANCE.
 - MAY HAVE A LIMIT ON THE NUMBER OF WITHDRAWALS PER MONTH.
 - OFTEN HAS LOWER FEES COMPARED TO CHECKING ACCOUNTS.
 - IDEAL FOR BUILDING AN EMERGENCY FUND OR SAVING FOR FUTURE GOALS.
 - EXAMPLE: JOHN DEPOSITS \$50 FROM HIS PAYCHECK INTO HIS SAVINGS ACCOUNT EVERY MONTH TO SAVE FOR A FAMILY VACATION.

3. MONEY MARKET ACCOUNTS

- PURPOSE: COMBINES FEATURES OF BOTH CHECKING AND SAVINGS ACCOUNTS.
- FEATURES:
 - OFFERS HIGHER INTEREST RATES THAN REGULAR SAVINGS ACCOUNTS.
 - ALLOWS LIMITED CHECK-WRITING AND DEBIT CARD USAGE.
 - REQUIRES A HIGHER MINIMUM BALANCE TO AVOID FEES.
 - EXAMPLE: SARAH USES A MONEY MARKET ACCOUNT TO SAVE FOR A DOWN PAYMENT ON A HOUSE. SHE LIKES THE HIGHER INTEREST RATE AND THE ABILITY TO WRITE A FEW CHECKS WHEN NEEDED.

4. CERTIFICATES OF DEPOSIT (CDS)

- PURPOSE: USED FOR SAVING MONEY FOR A FIXED PERIOD WITH A GUARANTEED INTEREST RATE.
- FEATURES:
 - OFFERS HIGHER INTEREST RATES THAN REGULAR SAVINGS ACCOUNTS.
 - REQUIRES YOU TO LEAVE YOUR MONEY IN THE ACCOUNT FOR A SET TERM (E.G., 6 MONTHS, 1 YEAR, 5 YEARS).
 - EARLY WITHDRAWAL MAY RESULT IN PENALTIES.
 - EXAMPLE: DAVID BUYS A 1-YEAR CD WITH SOME OF HIS SAVINGS TO EARN A HIGHER INTEREST RATE, KNOWING HE WON'T NEED TO ACCESS THAT MONEY FOR A YEAR.

5. INDIVIDUAL RETIREMENT ACCOUNTS (IRAS)

- PURPOSE: DESIGNED FOR LONG-TERM RETIREMENT SAVINGS.
- FEATURES:
 - OFFERS TAX ADVANTAGES FOR RETIREMENT SAVINGS.
 - INCLUDES TRADITIONAL IRA AND ROTH IRA OPTIONS, EACH WITH DIFFERENT TAX BENEFITS.
 - HAS ANNUAL CONTRIBUTION LIMITS AND PENALTIES FOR EARLY WITHDRAWAL.
- EXAMPLE: EMMA OPENS A ROTH IRA AND CONTRIBUTES \$100 A MONTH TO SAVE FOR HER RETIREMENT. SHE LIKES THAT HER WITHDRAWALS IN RETIREMENT WILL BE TAX-FREE.

HOW TO CHOOSE THE RIGHT BANK AND ACCOUNT

1. IDENTIFY YOUR NEEDS

- DETERMINE WHAT YOU NEED THE ACCOUNT FOR: DAILY TRANSACTIONS, SAVING FOR FUTURE EXPENSES, EARNING INTEREST, OR LONG-TERM SAVINGS.
- CONSIDER HOW OFTEN YOU WILL NEED TO ACCESS THE MONEY.
 - EXAMPLE: IF YOU NEED AN ACCOUNT FOR EVERYDAY EXPENSES, A CHECKING ACCOUNT MIGHT BE BEST. IF YOU'RE SAVING FOR A LONG-TERM GOAL, CONSIDER A SAVINGS ACCOUNT OR CD.

2. CONSIDER BANK FEES

- LOOK AT THE FEES ASSOCIATED WITH THE ACCOUNT, SUCH AS MONTHLY MAINTENANCE FEES, ATM FEES, OVERDRAFT FEES, AND MINIMUM BALANCE REQUIREMENTS.
- SOME BANKS OFFER FEE WAIVERS IF YOU MEET CERTAIN CONDITIONS, LIKE SETTING UP DIRECT DEPOSITS OR MAINTAINING A MINIMUM BALANCE.
 - EXAMPLE: LOOK FOR A CHECKING ACCOUNT WITH NO MONTHLY FEES IF YOU CAN SET UP A DIRECT DEPOSIT OR MAINTAIN A MINIMUM BALANCE.

3. INTEREST RATES

- COMPARE THE INTEREST RATES OFFERED BY DIFFERENT ACCOUNTS, ESPECIALLY FOR SAVINGS ACCOUNTS, MONEY MARKET ACCOUNTS, AND CDS.
- HIGHER INTEREST RATES CAN HELP YOUR SAVINGS GROW FASTER.
 - EXAMPLE: A SAVINGS ACCOUNT WITH A 1.5% INTEREST RATE WILL EARN YOU MORE MONEY OVER TIME THAN ONE WITH A 0.5% INTEREST RATE.

4. ACCESSIBILITY AND CONVENIENCE

- CONSIDER THE BANK'S BRANCH LOCATIONS AND ATM NETWORK. CHOOSE A BANK WITH CONVENIENT ACCESS NEAR YOUR HOME OR WORKPLACE.
- CHECK IF THE BANK OFFERS ONLINE AND MOBILE BANKING SERVICES, WHICH CAN MAKE MANAGING YOUR ACCOUNT EASIER.
 - EXAMPLE: IF YOU OFTEN TRAVEL, A BANK WITH A LARGE ATM NETWORK AND GOOD MOBILE BANKING FEATURES CAN BE VERY CONVENIENT.

5. CUSTOMER SERVICE

- RESEARCH THE BANK'S REPUTATION FOR CUSTOMER SERVICE. LOOK FOR REVIEWS AND ASK FRIENDS OR FAMILY ABOUT THEIR EXPERIENCES.
- GOOD CUSTOMER SERVICE CAN BE CRUCIAL IF YOU ENCOUNTER ANY ISSUES WITH YOUR ACCOUNT.
 - EXAMPLE: A BANK WITH HIGH CUSTOMER SERVICE RATINGS CAN BE HELPFUL IF YOU NEED ASSISTANCE WITH ACCOUNT PROBLEMS.

6. ADDITIONAL SERVICES

- SOME BANKS OFFER ADDITIONAL SERVICES SUCH AS FINANCIAL PLANNING, LOANS, CREDIT CARDS, AND INVESTMENT OPTIONS.
- IF YOU NEED THESE SERVICES, CONSIDER CHOOSING A BANK THAT CAN PROVIDE THEM.
 - EXAMPLE: IF YOU PLAN TO BUY A HOUSE SOON, CHOOSING A BANK THAT OFFERS COMPETITIVE MORTGAGE RATES MIGHT BE BENEFICIAL.

UNDERSTANDING BANK FEES

- 1. MONTHLY MAINTENANCE FEES:** MANY BANKS CHARGE A MONTHLY FEE TO MAINTAIN YOUR ACCOUNT. THESE FEES CAN OFTEN BE WAIVED IF YOU MEET CERTAIN CONDITIONS, SUCH AS MAINTAINING A MINIMUM BALANCE OR SETTING UP DIRECT DEPOSITS.
- EXAMPLE: LINDA AVOIDS THE \$12 MONTHLY FEE ON HER CHECKING ACCOUNT BY HAVING HER PAYCHECK DIRECTLY DEPOSITED.
- 2. ATM FEES:** USING ATMS OUTSIDE OF YOUR BANK'S NETWORK CAN INCUR FEES. LOOK FOR BANKS THAT OFFER WIDESPREAD ATM NETWORKS OR REIMBURSE OUT-OF-NETWORK ATM FEES.
- EXAMPLE: ALEX USES HIS BANK'S MOBILE APP TO FIND FEE-FREE ATMS WHEN HE TRAVELS.
- 3. OVERDRAFT FEES:** OVERDRAWING YOUR ACCOUNT CAN RESULT IN HEFTY FEES. SOME BANKS OFFER OVERDRAFT PROTECTION, BUT THIS MAY ALSO COME WITH FEES.
- EXAMPLE: RACHEL SIGNS UP FOR OVERDRAFT PROTECTION, LINKING HER SAVINGS TO HER CHECKING ACCOUNT TO COVER ANY SHORTFALLS AND AVOID OVERDRAFT FEES.
- 4. TRANSACTION FEES:** CERTAIN TRANSACTIONS, SUCH AS WIRE TRANSFERS OR EXCESSIVE WITHDRAWALS FROM A SAVINGS ACCOUNT, MAY INCUR FEES.
- EXAMPLE: WHEN TONY NEEDS TO WIRE MONEY OVERSEAS, HE CHECKS HIS BANK'S FEE SCHEDULE TO SEE THE COST.
- 5. INACTIVITY FEES:** SOME BANKS CHARGE A FEE IF YOUR ACCOUNT REMAINS INACTIVE FOR A SPECIFIED PERIOD.
- EXAMPLE: TO AVOID INACTIVITY FEES, CHRIS MAKES SURE TO USE HIS ACCOUNT AT LEAST ONCE EVERY FEW MONTHS.

UNDERSTANDING INTEREST RATES

- 1. SAVINGS INTEREST RATES:** HIGHER INTEREST RATES ON SAVINGS ACCOUNTS, MONEY MARKET ACCOUNTS, AND CDS CAN HELP YOUR MONEY GROW FASTER. COMPARE RATES OFFERED BY DIFFERENT BANKS TO FIND THE BEST OPTION.
- EXAMPLE: EMILY MOVES HER SAVINGS TO A HIGH-YIELD SAVINGS ACCOUNT WITH A BETTER INTEREST RATE TO GROW HER SAVINGS FASTER.
- 2. LOAN INTEREST RATES:** LOWER INTEREST RATES ON LOANS AND CREDIT CARDS CAN SAVE YOU MONEY OVER TIME. YOUR CREDIT SCORE SIGNIFICANTLY IMPACTS THE INTEREST RATES YOU QUALIFY FOR, SO MAINTAINING A GOOD CREDIT SCORE IS ESSENTIAL.
- EXAMPLE: MARK SHOPS AROUND FOR THE BEST INTEREST RATE WHEN APPLYING FOR A CAR LOAN TO KEEP HIS MONTHLY PAYMENTS LOW.
- 3. COMPOUND INTEREST:** UNDERSTAND HOW INTEREST IS COMPOUNDED. ACCOUNTS THAT COMPOUND INTEREST DAILY WILL YIELD MORE INTEREST THAN THOSE THAT COMPOUND MONTHLY OR ANNUALLY.
- EXAMPLE: LAURA CHOOSES A SAVINGS ACCOUNT THAT COMPOUNDS INTEREST DAILY, SO SHE EARNS MORE ON HER BALANCE OVER TIME.

OPENING A BANK ACCOUNT

1. GATHER REQUIRED DOCUMENTS

- MOST BANKS REQUIRE IDENTIFICATION DOCUMENTS SUCH AS A GOVERNMENT-ISSUED ID (DRIVER'S LICENSE, PASSPORT, OR STATE ID).
- PROOF OF ADDRESS (UTILITY BILL, LEASE AGREEMENT, OR SIMILAR DOCUMENT).
- SOCIAL SECURITY NUMBER OR INDIVIDUAL TAXPAYER IDENTIFICATION NUMBER (ITIN).
- EXAMPLE: BEFORE GOING TO THE BANK, SAM GATHERS HIS DRIVER'S LICENSE, A RECENT UTILITY BILL, AND HIS SOCIAL SECURITY CARD.

2. VISIT THE BANK OR APPLY ONLINE

- YOU CAN OPEN AN ACCOUNT BY VISITING A BANK BRANCH IN PERSON OR BY APPLYING ONLINE THROUGH THE BANK'S WEBSITE.
- SOME BANKS MAY OFFER ADDITIONAL INCENTIVES FOR OPENING AN ACCOUNT ONLINE, SUCH AS HIGHER INTEREST RATES OR BONUS OFFERS.
- EXAMPLE: JENNA OPENS HER SAVINGS ACCOUNT ONLINE TO TAKE ADVANTAGE OF A \$50 BONUS OFFER FOR NEW CUSTOMERS.

3. COMPLETE THE APPLICATION

- FILL OUT THE APPLICATION FORM WITH YOUR PERSONAL INFORMATION AND THE TYPE OF ACCOUNT YOU WISH TO OPEN.
- PROVIDE THE REQUIRED DOCUMENTS FOR VERIFICATION.
- EXAMPLE: MICHAEL FILLS OUT THE APPLICATION FORM AT THE BANK AND PRESENTS HIS ID AND PROOF OF ADDRESS.

4. MAKE AN INITIAL DEPOSIT

- SOME ACCOUNTS REQUIRE AN INITIAL DEPOSIT TO OPEN. CHECK THE MINIMUM DEPOSIT REQUIREMENT FOR YOUR CHOSEN ACCOUNT.
- YOU

CAN MAKE THE DEPOSIT IN CASH, BY CHECK, OR BY TRANSFERRING MONEY FROM ANOTHER ACCOUNT.

- EXAMPLE: OLIVIA MAKES AN INITIAL DEPOSIT OF \$100 TO OPEN HER NEW CHECKING ACCOUNT.

5. SET UP ACCOUNT FEATURES

- ONCE YOUR ACCOUNT IS OPEN, SET UP ANY ADDITIONAL FEATURES YOU NEED, SUCH AS DIRECT DEPOSIT, ONLINE BANKING, OR AUTOMATIC TRANSFERS TO SAVINGS.
- EXAMPLE: ETHAN SETS UP ONLINE BANKING AND LINKS HIS CHECKING ACCOUNT TO HIS SAVINGS ACCOUNT FOR EASY TRANSFERS.



MANAGING YOUR BANK ACCOUNT

1. MONITOR YOUR ACCOUNT REGULARLY

- CHECK YOUR ACCOUNT BALANCE AND TRANSACTIONS REGULARLY TO STAY ON TOP OF YOUR FINANCES.
- USE ONLINE OR MOBILE BANKING TO KEEP TRACK OF YOUR ACCOUNT ACTIVITY AND SPOT ANY UNAUTHORIZED TRANSACTIONS.
- EXAMPLE: ANNA CHECKS HER BANK'S MOBILE APP DAILY TO MONITOR HER SPENDING AND ACCOUNT BALANCE.

2. AVOID OVERDRAFTS

- KEEP TRACK OF YOUR SPENDING TO AVOID OVERDRAWING YOUR ACCOUNT, WHICH CAN RESULT IN FEES.
- SOME BANKS OFFER OVERDRAFT PROTECTION SERVICES, WHICH CAN HELP PREVENT OVERDRAFTS BY LINKING TO A SAVINGS ACCOUNT OR LINE OF CREDIT.
- EXAMPLE: PAUL SETS UP OVERDRAFT PROTECTION TO AUTOMATICALLY TRANSFER FUNDS FROM HIS SAVINGS TO HIS CHECKING ACCOUNT IF NEEDED.

3. SET UP ALERTS

- MANY BANKS OFFER ALERT SERVICES THAT NOTIFY YOU OF LOW BALANCES, LARGE TRANSACTIONS, OR UPCOMING BILLS.
- SETTING UP ALERTS CAN HELP YOU MANAGE YOUR ACCOUNT AND AVOID OVERDRAFT FEES.
- EXAMPLE: LILY SETS UP TEXT ALERTS TO NOTIFY HER WHEN HER CHECKING ACCOUNT BALANCE DROPS BELOW \$50.

4. USE DIRECT DEPOSIT

- DIRECT DEPOSIT CAN MAKE IT EASIER TO MANAGE YOUR FINANCES BY AUTOMATICALLY DEPOSITING YOUR PAYCHECK INTO YOUR ACCOUNT.
- IT CAN ALSO HELP YOU MEET MINIMUM BALANCE REQUIREMENTS AND AVOID MONTHLY FEES.
- EXAMPLE: BEN HAS HIS PAYCHECK DIRECTLY DEPOSITED INTO HIS CHECKING ACCOUNT, ENSURING HIS FUNDS ARE AVAILABLE IMMEDIATELY ON PAYDAY.

5. AUTOMATE SAVINGS

- SET UP AUTOMATIC TRANSFERS FROM YOUR CHECKING ACCOUNT TO YOUR SAVINGS ACCOUNT TO HELP YOU SAVE REGULARLY.
- EVEN SMALL, REGULAR TRANSFERS CAN HELP YOU BUILD YOUR SAVINGS OVER TIME.
- EXAMPLE: KAREN SETS UP AN AUTOMATIC TRANSFER OF \$25 EACH WEEK FROM HER CHECKING ACCOUNT TO HER SAVINGS ACCOUNT.

ADDITIONAL BANKING SERVICES

1. LOANS AND CREDIT

- PERSONAL LOANS: USED FOR VARIOUS PURPOSES SUCH AS CONSOLIDATING DEBT, MAKING HOME IMPROVEMENTS, OR COVERING EMERGENCY EXPENSES.
 - EXAMPLE: TOM TAKES OUT A PERSONAL LOAN TO PAY FOR UNEXPECTED MEDICAL EXPENSES.
 - AUTO LOANS: USED TO FINANCE THE PURCHASE OF A CAR. BANKS OFFER COMPETITIVE RATES BASED ON YOUR CREDIT SCORE AND FINANCIAL HISTORY.
 - EXAMPLE: LISA SECURES AN AUTO LOAN FROM HER BANK TO BUY A NEW CAR WITH A LOW-INTEREST RATE.
 - MORTGAGE LOANS: USED TO BUY A HOME. MORTGAGES TYPICALLY HAVE LONG REPAYMENT TERMS AND REQUIRE A DOWN PAYMENT.
 - EXAMPLE: JACK AND MARIA GET A MORTGAGE FROM THEIR BANK TO PURCHASE THEIR FIRST HOME.
 - CREDIT CARDS: PROVIDE A LINE OF CREDIT FOR EVERYDAY PURCHASES. RESPONSIBLE USE CAN HELP BUILD YOUR CREDIT HISTORY.
 - EXAMPLE: CHLOE USES HER BANK'S CREDIT CARD FOR EVERYDAY PURCHASES AND PAYS OFF THE BALANCE EACH MONTH TO AVOID INTEREST CHARGES.

2. INVESTMENT SERVICES

- BROKERAGE ACCOUNTS: ALLOW YOU TO BUY AND SELL STOCKS, BONDS, AND OTHER INVESTMENTS.
 - EXAMPLE: ALAN OPENS A BROKERAGE ACCOUNT WITH HIS BANK TO START INVESTING IN THE STOCK MARKET.
- RETIREMENT ACCOUNTS: SUCH AS IRAS AND 401(K)S, WHICH OFFER TAX ADVANTAGES FOR LONG-TERM SAVINGS.
 - EXAMPLE: RACHEL CONTRIBUTES TO A TRADITIONAL IRA TO SAVE FOR HER RETIREMENT AND TAKE ADVANTAGE OF TAX-DEFERRED GROWTH.

3. FINANCIAL PLANNING AND ADVICE

- MANY BANKS OFFER FINANCIAL PLANNING SERVICES TO HELP YOU CREATE A PLAN FOR SAVING, INVESTING, AND ACHIEVING YOUR FINANCIAL GOALS.
 - FINANCIAL ADVISORS CAN PROVIDE PERSONALIZED ADVICE BASED ON YOUR FINANCIAL SITUATION AND OBJECTIVES.
 - EXAMPLE: DAVID MEETS WITH A FINANCIAL ADVISOR AT HIS BANK TO DEVELOP A STRATEGY FOR SAVING FOR HIS CHILDREN'S COLLEGE EDUCATION.

4. INSURANCE

- SOME BANKS OFFER INSURANCE PRODUCTS SUCH AS LIFE INSURANCE, HEALTH INSURANCE, AND PROPERTY INSURANCE.
 - THESE PRODUCTS CAN PROVIDE FINANCIAL PROTECTION FOR YOU AND YOUR FAMILY.
 - EXAMPLE: SOPHIA PURCHASES LIFE INSURANCE THROUGH HER BANK TO ENSURE HER FAMILY IS FINANCIALLY PROTECTED IN CASE OF HER UNTIMELY DEATH.

CONCLUSION

UNDERSTANDING BANKING AND FINANCIAL SERVICES IS ESSENTIAL FOR MANAGING YOUR FINANCES EFFECTIVELY AND ACHIEVING FINANCIAL STABILITY. BY CHOOSING THE RIGHT BANK AND ACCOUNT, MONITORING YOUR ACCOUNT REGULARLY, AND TAKING ADVANTAGE OF ADDITIONAL BANKING SERVICES, YOU CAN MAKE THE MOST OF YOUR FINANCIAL RESOURCES. REMEMBER, THE KEY TO SUCCESSFUL BANKING IS TO STAY INFORMED, MAKE INFORMED DECISIONS, AND UTILIZE THE TOOLS AND SERVICES AVAILABLE TO YOU.

*Thank you for all you've done by reading this article on
Bank and Financial services. Try to apply it wherever you
can. ENJOY!*

**Thank
You!**

FROM: TARUSH