

MONEY SMART FOR A HEAD START

Understanding Banks, Credit Unions, and Their Products



Do you have a checking or savings account? Do you love technology and e-banking? You have many options for where to keep your hard-earned money.

Making the most of your money

Just like searching for the best deal on a car or a new phone, it's worth your time to shop around for the best deal at a bank, credit union, or other financial service to get the most for your money. It's also important to think about how you pay bills and buy products to learn what is best for you. Some questions to ask yourself:

- Do I like to pay bills on my computer or with my smart phone?
- Is there a minimum amount needed to keep accounts free?
- What are the charges for going below the minimum?
- Is the information on fees for the account or service easy to find and understand?
- How easy is it to get cash if I need it right away?

What works for someone else may not be right for you. Surprises can be expensive! Ask questions so you understand the pros and cons of different financial services. The more you ask, the more you will learn about services and options.

What about pre-paid debit cards?

- You can have your paychecks and tax refunds directly deposited on a prepaid debit card and can also add cash to your card at local stores. Prepaid card users can spend \$20 or more a month in card fees, so it's important to check into the fees for using a pre-paid debit card. Ask questions like:
 - *Is there a charge to activate the card before I use it the first time?* Many cards charge for this one-time cost.
 - *What is the monthly fee?* Many cards charge this fee whether the card is used or not.
 - *Is there a fee to reload the card?* Reload fees can be \$5 or more, but some cards have no fee for direct deposits.
 - *Are there any fees at the store when you use the card?* These are called point-of-sale (POS) purchases. Fees can vary from card to card.
 - *What's the fee to get cash at an ATM?* Many prepaid cards use out-of-network ATMs with fees that can really add up.
 - *What happens if I lose my card?* Is my money protected at all?

To learn more about prepaid debit cards, go to consumerfinance.gov and search for "prepaid cards."

What about checking accounts?

On average, a checking account can cost \$5 a month or more just to maintain the account.

Other fees, like out-of-network ATM fees and overdraft fees, can cost even more. To avoid these costs and understand the services and products available, you can ask your financial institution if they offer:

- Free check-cashing and other services
- Free debit cards
- Overdraft protection, which may help you avoid costly overdraft fees
- Mobile apps and e-banking to make it easy to check balances and make deposits
- Loans for big purchases like a car or home

If you don't want to keep track of a checking account balance through a bank or credit union and want to use other options, make sure you know the costs and risks that come with those options.

How do I protect my money?

- Don't give your account number or password to anyone – even if it's a 'one-time' favor!
- If you share your PIN or write it on your card, you give up any bank protection and you could lose all the money in your account.
- If you lose a prepaid debit card, your right to get back any money taken from your prepaid card depends on how quickly you report the loss and the card issuer's policies.
- If you lose your ATM card, you need to report its loss to the bank right away to make sure you get your money back.

What if I want to save money?

Finding a place to save your money is important for financial health and reaching your goals.

- Some prepaid cards allow you to also set aside money to avoid overspending.
- If you use a bank or credit union, ask about minimum balances, interest rates, fees to open the account, or fees for withdrawing your money from a savings account.
- Money that you put in a savings account is for you to use in the future and helps you spend money within your planned budget.

Save your money by not losing it

To avoid charges for financial service fees, you can:

- Keep track of your balance – adding deposits and subtracting checks and debits – so you don't use more money than you have.
- Stop writing checks or using your debit card if you overdraw an account.
- Watch your electronic transactions and fees (ATM withdrawals, debit, online payments).
- Review your monthly statement. Make sure all the checks, debit, automatic payments, and other withdrawals are ones you made.

To Sum it up

-  Be sure you understand all the costs involved with using any financial services.
-  You should report a lost or stolen bank or debit card right away.
-  Look over your monthly statement to avoid making a costly mistake.

For more information:

- Visit our website for more financial education resources. <https://finances.extension.wisc.edu>
- Contact your local Extension Educator: <https://counties.extension.wisc.edu>
- For help with balancing your monthly spending plan, contact the nonprofit National Foundation for Credit Counseling (NFCC) at <https://www.nfcc.org> or 800.388.2227.