



4-H Consumer Judging Guide

Savings Accounts

What Is a Savings Account?

A savings account is an account set up with a bank or credit union to keep your money in while earning interest. Interest is the money the bank pays you for keeping your money there.

What Are the Benefits of Having a Savings Account?

It's Safe: A savings account is a safe, convenient and affordable way to save your money. It's much safer to keep your money at a bank than to keep a large amount of cash in your home. When you put your money in a bank, the bank keeps it in a fire-proof locked safe. The federal government also insures your money. No matter what, you can't lose your money when it's in the bank.

It Pays: Banks pay you a fee, called interest, for keeping your money with them. The higher the interest rate, the more money you'll earn. And, the more money you put into your account, the more money you'll earn in interest. Automatically transferring money from your checking account to a savings account each payday makes paying yourself automatically much easier.

What Are the Costs of Having a Savings Account?

As with other accounts, a bank may charge you fees for having a savings account. Every bank charges differently, so it pays to shop around. Some accounts are free, and others carry a general service charge. A lot of banks charge you if you do not maintain a minimum balance in your account, but not all accounts have minimum balance requirements. You can save a lot of money in fees by finding an account with low or no balance requirements.

What Are the Different Types of Savings Accounts?

Banks offer a variety of ways for you to save your money and earn interest. The most common accounts are:

Basic Savings Account

The minimum deposit requirement for a basic account is low, from \$5 to \$200. Your money earns a relatively low interest rate, but you can put money into and take money out of your account whenever you want. Basic saving accounts are also called passbook accounts.

Certificate of Deposit (CD)

This account earns a higher interest rate than a regular savings account, but you have to make a larger minimum deposit, generally between \$1,000 and \$5,000. You also have to keep your money in the CD for a certain period of time. If you take your money out before the end of the term, you may have to pay a penalty.

Money Market Account

This account earns a higher interest rate than a regular savings account, but you have to make a larger minimum deposit, averaging between \$500 and \$2,500. This account also limits the number of times you can take out money each month.

Where Can I Open a Savings Account?

You should shop around for a financial institution that meets your needs. Look for a bank or credit union that is close to your home or work,

open during the hours you need it to be and charges low or no fees for a savings account. Banks that offer online banking make managing your finances very easy.

What's the Difference Between a Bank and a Credit Union?

Banks store your money and allow you to have easy access to it by writing checks or using ATM and debit cards. Banks insure your money with The Federal Deposit Insurance Corporation, which protects your account up to \$100,000 if the bank goes out of business. There are banks all over the country.

Credit unions work like banks but are nonprofit organizations. This means you are more likely to get a loan and to get it at a better interest rate. Credit unions are created for specific groups of people, like government employees or college graduates. Another kind of credit union, a community development credit union (CDCU), primarily serves low-income communities. Anyone living or working in those communities can join the CDCU serving that area. CDCUs are located in more than 300 urban and rural areas across the United States.

How Do I Manage My Savings Account After I Open It?

The key to managing any bank account is maintaining good records. Your register is a tool for keeping track of the amount in your account or the balance in your savings account. You need to write down every transaction – deposits, fees and withdrawals – in your register so you'll always know how much money is in your account.

At the end of each month, you'll receive a statement of your account's activity from the previous month. You can use the statement to balance your account by comparing your register with your account statement. After all financial transactions have been recorded in both places, the balances should be the same plus the interest you earned from the bank.

Things to Look for in a Savings Account

Look for the account/institution that will best meet your needs. Compare accounts, and ask the following questions:

- Is the institution insured? Credit unions should be insured by the NCUSIF. A bank should have Federal Deposit Insurance Corporation (FDIC) insurance.
- What is the dividend/interest rate? Savings accounts generally have lower interest rates than other investments, but you'll still want to look for the best return you can get on your account.
- What's the annual percentage yield (APY)? The APY tells you how much your money can earn based on interest rate and frequency of compounding. The Truth in Savings Act requires all institutions to disclose APY so consumers can compare accounts on an apples-to-apples basis.
- Does the institution offer tiered rates? Tiered rates apply to different balance amounts. If tiered rates apply, find out how.
- How often is interest compounded? Monthly? Quarterly?
- What is the minimum opening deposit?
- What is the minimum balance required?
- What fees apply to the savings account?
- Is there a charge if my account falls below a minimum balance?
- Is there a fee for closing the account?
- Is there a monthly maintenance fee?
- Am I required to use direct deposit in order to get a free account or reduced fees?
- Is there a limit on the dollar amount or number of transactions I can make?
- Are there any other fees or charges for the account? If so, what are they?
- Is there easy access to my money such as internet banking, ATMs, good banking hours, etc.?

Use the following chart to help you compare savings accounts side by side.

SAVINGS ACCOUNT COMPARISON CHART				
	BANK 1	BANK 2	BANK 3	BANK 4
<i>Opening Deposit Amount</i>				
<i>Monthly Minimum Balance to Avoid Service Charges</i>				
<i>Interest Rate Structures</i>				
<i>Interest Rate Structure</i>				
<i>Monthly Service Charges</i>				
<i>Free Basic Checks</i>				
<i>Transaction Fees</i>				
<i>Withdrawals Per Month</i>				
<i>Ease of Access to Money (hours, ATM, Internet banking, etc.)</i>				
<i>Other Considerations:</i>				

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