

Banking

Considerations While Choosing a Bank

by InvestorGuide Staff ([Write for us!](#))

Finding the best bank will require some comparison shopping, since as with anything else, the best deal isn't likely to find you, you'll have to find it. Of course, it's up to you to decide how much time you want to spend looking for the best bank for your needs...remember that time is money. The internet is usually the easiest way to comparison shop. However, if you have a lot of questions that might not be answered on a web site, or if you just want to see how attentive a bank is, you might prefer to visit the local branch, especially once you've narrowed your choice down to just two or three contenders. You will probably make your decision based on services and fees. Below is a list of features and services you might be looking for, and a list of fees you should be aware of, which you can use to make your comparison shopping easier. If you're considering online banking, be sure to read the online banking section as well .

Features and Services

Some of these will be very important to you, while some won't matter at all. When comparing banks, all that matters is what's important to you.

Features:

- ✓ Interest Rate: If the account pays interest, what is the rate currently? Ask for the "Annual Percentage Yield", which makes it easier to compare banks that compound their interest at different frequencies. Keep in mind that after you open your account, your rate will continue to change from week to week.
- ✓ Convenience: How close is the nearest branch? How long are the lines when you go? Is the bank open when you need them, or do they open late and close early as many banks do?
- ✓ FDIC membership: Are they a member of the Federal Deposit Insurance Corporation? If so, your deposits will be insured up to \$100,000.
- ✓ Size: Is the bank large or small? Some people feel more comfortable with a larger bank, while others believe small banks can offer better customer service.
- ✓ Minimum deposit: What is the minimum deposit required to open an account (if any)?
- ✓ Limitations: Are there any limitations imposed on the account? (for example, the number of checks or transactions per month)

- ✓ Availability of Funds: How soon after you make a deposit are you able to withdraw against those funds? Different banks have different rules.

Services:

- ✓ direct deposit
- ✓ ATMs
- ✓ banking by telephone (what can you do over the phone, and when?)
- ✓ online banking
- ✓ credit cards
- ✓ debit cards
- ✓ overdraft protection
- ✓ canceled checks (included with monthly statements?)
- ✓ loans and mortgages
- ✓ stock and mutual fund trading
- ✓ retirement planning services
- ✓ small business services
- ✓ access to international money markets
- ✓ copies of previous monthly statements
- ✓ deposit slips and other slips
- ✓ phone support
- ✓ talking to a teller in person
- ✓ debit card fees
- ✓ traveler's checks
- ✓ loan application processing
- ✓ safe deposit box rental
- ✓ cashier's checks
- ✓ stop payment
- ✓ wire transfer
- ✓ money order

Fees

Banking fees have risen significantly in recent years, and show no signs of falling. The average price of maintaining a bank checking account is currently about \$200 a year. Before you sign up, take a close look at the fees associated with the account, and try to estimate what it will cost. You might not be able to determine it exactly, but an estimate will still be useful. Once you've gone through the process of selecting a bank and signing up, you probably won't be inclined to switch for awhile. When comparing the expected fees of one account with another, be sure to also factor in any difference in the interest rate the two accounts offer. If one account pays

sufficiently higher rates than another, it might more than offset the additional fees that account charges.

Here are the most common fees, along with a few tips on avoiding or minimizing them:

- ✓ Maintenance fees: A small fee is reasonable. After all, the bank is providing you with a valuable service. But make sure the amount is competitive with what other banks are charging. You might even be able to get a free checking account, if you use direct deposit for your paychecks, if you're a shareholder of the bank (sometimes even a single share is enough), or if you limit your bank branch visits and/or transactions.
- ✓ Low-balance penalty: While most big banks offer "free" checking if you maintain a substantial balance, typically \$2,000 to \$4,000, you should realize that this isn't free at all, you're paying the opportunity cost of tying up your money in a low- or no-yield account while the bank lends it out at a hefty interest rate. Find out if the calculation is based on your average daily balance, the lowest balance in the month, or the balance on a certain day of the month, so you can work the system to your advantage. Alternatively, if you buy CDs from the bank (which yield higher rates than the checking account does), the bank might include that amount in its minimum balance requirement.
- ✓ ATM surcharges, "Foreign" ATM fees: Find out if you'll be charged by your bank for ATM usage. Either way, try to use only your bank's ATMs, to avoid the additional fee from the ATM owner. You can also utilize surcharge-free ATMs. Another way to avoid ATM fees is to ask for extra cash when you make a purchase with your bank's debit card, such as when buying groceries. Also consider taking out more each time in order to make fewer withdrawals; a \$3 fee on a \$100 withdrawal can eat up a full year's earned interest. Also guard your ATM card, as some banks charge a lot to replace it.
- ✓ Returned check: If someone writes you a bad check, you may be charged.
- ✓ Bounced check: If you don't have enough in your account to cover the checks you've written, an insufficient funds fee (NSF) will usually be imposed. If you expect this to happen, consider getting overdraft protection (described below). If you make a large deposit, ask when it will clear, and don't write checks against that amount until it does.
- ✓ Overdraft Protection: If there's any chance you might bounce a check, you should ask for overdraft protection. Instead of getting charged about \$25 for bouncing a check, overdraft protection will in effect provide you with an instant loan. The interest rate will be

exorbitant, but if you pay it off quickly it should be much less expensive than the bounced check fee. Some banks do charge a fee when your balance falls below zero even if you have overdraft protection, but it's still significantly less than the bounced check fee. If there's a fee, find out how it's calculated (per day? per check? etc).

- ✓ Check printing: Some banks offer free checks for first-time account holders, account holders with a large minimum balance, senior citizens, students, and certain others. If your bank does not offer free checks, consider buying your checks direct from a check printer rather than from the bank, as the cost savings will be substantial. Check out Checks Unlimited or Checks in the Mail. Or you can call Current Checks at 800-426-0822 and Checks-in-the-Mail at 800-733-4443.
- ✓ Per-check charges: Some accounts include a certain number of checks per month and charge extra for more, so know the limit.
- ✓ Cancelled check return fees: If the bank doesn't include cancelled checks along with your monthly statement, they may charge a fee for any cancelled checks you request.
- ✓ Closed account: Some banks charge a fee if you close an account that hasn't been open for a sufficiently long time (such as one year).

ATMs

The rise of automated teller machines (ATMs) has revolutionized banking over the last decade or two, by enabling around-the-clock withdrawals and other banking activities. ATMs are very convenient, but finding one that works with your card (and doesn't charge an exorbitant fee) can be difficult. There are three types of ATMs:

- ✓ Proprietary: Owned by your bank. This is the best type to use, because the fee will usually be lowest, and for some banks there won't be a fee at all, if you stick to your own bank's ATMs.
- ✓ Non-Proprietary: Owned by a bank other than yours. When you use such a machine, the owner bank will charge you a fee (indicated on the screen or on the machine itself). In addition, your bank may also charge you a fee for using an ATM that it doesn't own. The costs can be substantial relative to the amount most people withdraw, so be sure to know the amounts in advance.
- ✓ National: Some banks are part of a regional or national network, such as Cirrus, Plus, Interlink or NYCE. In most cases, using an out-of-town ATM that is part of such a system will cost you a fee from the network and one from your bank.

- ✓ In addition, there are an increasing number of surcharge-free ATMs, for example at convenience stores that want your business.

Once you have your account

Once you have an account, balance your checkbook on a regular basis, to make sure that the bank hasn't made any errors and so that you know how much you have in your account. Also understand every fee you are charged, and complain about any that you don't agree with. Take a look at any inserts that accompany your monthly statement, because banks are required to disclose any fee changes, and that's where you'll find out about them.