

# Banking Basics

## From Legence Bank



### Checking Accounts:

- ✦ Checking accounts come in a wide variety of types and styles. There are accounts that pay interest on the money you deposit, and those that do not. You can get an account loaded with features, or one with very little. The checking account that is best for you is the one costing the least for the services you need.

- ✦ Another attractive feature of a checking account is the monthly record of checks you have written. You can use that record if you ever needed to prove that you have made a payment on certain items.
- ✦ Banks sometimes charge a fee for checking accounts, because check processing is costly. Many banks also offer no-fee checking and checking accounts that earn interest if you agree to keep a certain amount of money in the account (minimum balance). These accounts are limited to non-business customers. Banking laws almost always require businesses to use regular checking accounts that do not pay interest.

### Savings Accounts:

- ✦ Savings accounts are for people who want to keep their money in a safe place and earn interest at the same time. You don't need a lot of money to open a savings account, and you can withdraw your money easily. The best reason for opening a savings account is that the financial institution pays you INTEREST to keep your money on deposit.



### Debit vs. Credit Cards

- ✦ Debit cards look like credit cards, but they are very different. When you use a debit card at the gas pump or at a store, the amount of the purchase is electronically deducted from your bank balance. It will show up on your monthly bank statement, but there is no monthly bill because the amount of each purchase is deducted almost immediately from your account.
- ✦ Some merchants offer you the opportunity to get additional cash back when you pay for a purchase with your debit card. You can also use your debit card at an ATM if you need to withdraw cash from your account, but if the ATM is not part of your bank's network, you may have to pay a fee.

- ✦ Credit cards are not a form of money, even though people often refer to them as “plastic money.” When you use a credit card you are actually taking out a loan—buying something now and agreeing to pay for it later—and sooner or later you will have to pay the bill for all those things you have bought with interest.



## Credit Scores:

- ✦ A credit score is a number assigned to a person that indicates to lenders their capacity to repay a loan.
- ✦ Your credit score can mean the difference between being denied or approved for credit, low or high interest rates, qualifying for an apartment rental, or getting your utilities connected without a deposit.
- ✦ Your score is based on five core factors: payment history, credit utilization, average credit age, account mix and inquiries.
- ✦ Check your credit score annually. You’re legally entitled to a free copy of your annual credit report from each of the three major credit reporting agencies: Equifax, Experian and TransUnion. You can also check your credit for free at CreditKarma.com.
- ✦ While having a credit card may not be a necessity, it’s a good idea to develop a positive credit record.
- ✦ If you’re over 18 and a credit card is an option you’re interested in, look for one with a low, fixed interest rate, no annual fee and clear explanations of fees. Once approved, use your credit responsibly by paying the bill in full, making your payments on time and never using your entire credit limit.
- ✦ Talk to a bank about opening a checking account, savings account or borrowing a small loan. If you borrow, instead of spending the money put it in a savings account and have the monthly loan payments automatically debited from that account. Then, you won’t be tempted to spend the money and you will have a positive payment history that is reported to credit reporting agencies.



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