

# Money TALKS

## Should I Be Banking?

### Savings Account Strategies

It's finally payday! But what are you going to do with your hard-earned money? Go shopping, put some away for college, see a movie, take a trip? No matter what you decide, consider making your savings account your first stop. To find out why, answer the following questions:

- Do I want my money to be safe so that I don't lose it and it won't be stolen?
- Do I want my money to make me even more money?
- Do I want an easy way to cash my check?
- Do I want easy access to my money from almost anywhere?
- Do I want to start a relationship with a financial institution now, so that I can get the best deals?
- Do I want to develop a habit of saving by paying myself first?

A savings account can do all of these things for you! But which savings account should you choose? Selecting a Savings Account, on page 2, will help you figure out which type of savings account is best for you.

Selecting a  
**Savings Account**

**WHICH ACCOUNT**  
Is Best for Me?

Ways to Use  
**Your Account**

Making the Most  
**INTEREST**



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# Selecting a Savings Account



There are a number of savings accounts available, but not all of them will work well for you. Take this Savings Account Survey to see which account may be the best for you.

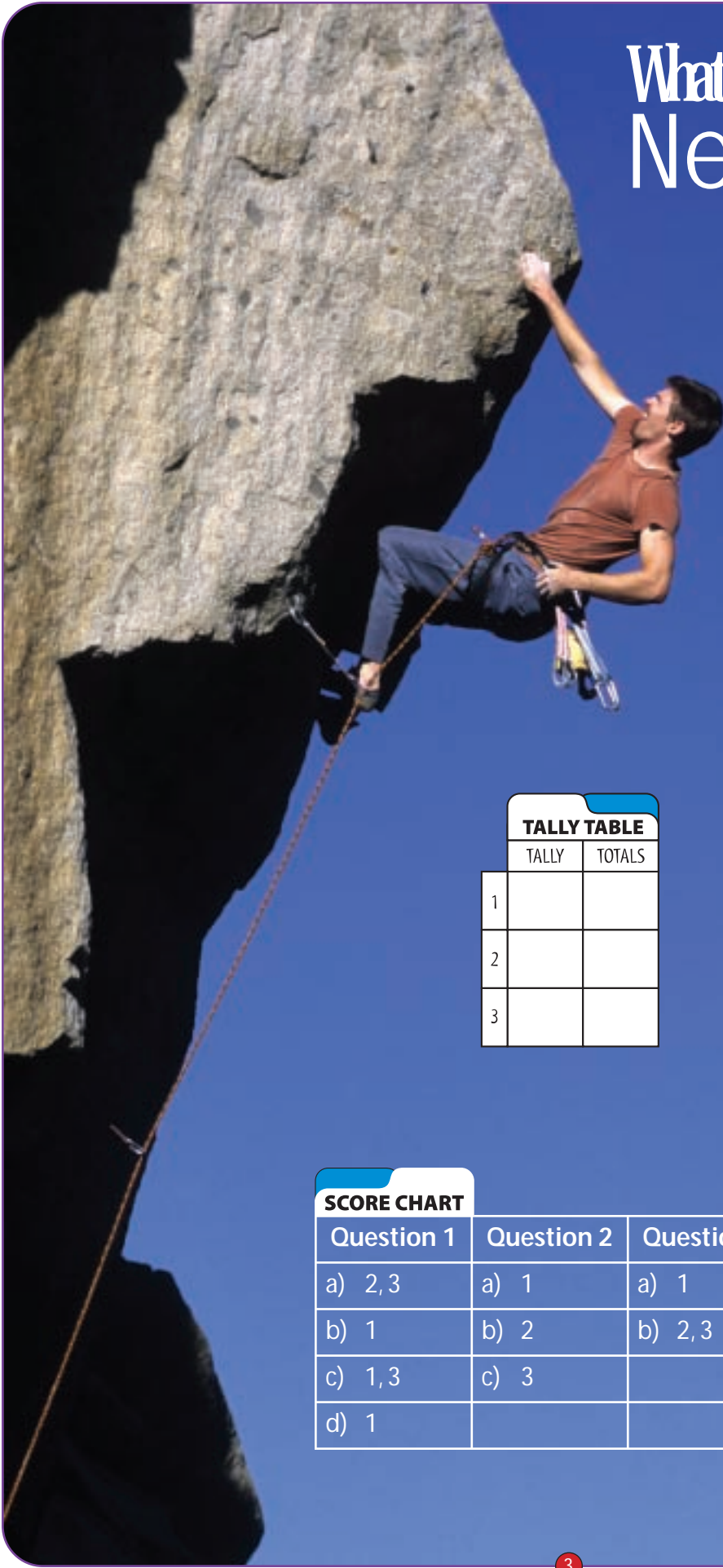
## Savings Account Survey

- 1. I think the most important thing about a savings account is:**
  - a. the amount of money my money will earn (high rate of return).
  - b. how easily I can get my money (high liquidity).
  - c. how quickly I can get the interest my money earned (short maturity).
  - d. the amount of money I must leave in my account at all times (low minimum deposit).
- 2. Because of my spending and saving habits:**
  - a. I need to be able to get to all of my money at any time.
  - b. I can leave part of my money in the financial institution for a set length of time.
  - c. I don't mind leaving \$2,500.00 in the financial institution at all times.
- 3. The penalties and fees of an account are related to the interest rate earned. I would rather:**
  - a. pay fewer or no fees and earn a lower interest rate.
  - b. pay more fees and earn a higher interest rate.
- 4. It would be best for me if:**
  - a. it is hard to withdraw money from my account.
  - b. I can make 1 or 2 withdrawals each month.
  - c. I can make 4 or 5 withdrawals each month.
- 5. As far as the safety of my savings account is concerned:**
  - a. I would rather earn less interest and be sure my money is really safe.
  - b. I would rather earn more interest and take the risk of losing some of my money.

(Continued on page 3)



# What's the Next Step?



The next step to figuring out the best account for you is to review your answers using the Score Chart below. In the Score Chart, circle the answers you gave. For example, if you answered c to Question 1 in the survey, on the Score Chart you'll circle "c" under Question 1. Then make tally marks on the Tally Table next to the 1 and 3.

Use the Tally Table at the left to tally all your 1s, 2s, and 3s and help you find the best savings account for your needs.

The number with the most tally marks will indicate which savings account is probably best for you. On page 4, you can learn more about these accounts.

TALLY TABLE	
	TOTALS
1	
2	
3	

## SCORE CHART

Question 1	Question 2	Question 3	Question 4	Question 5
a) 2,3	a) 1	a) 1	a) 2	a) 1,2
b) 1	b) 2	b) 2,3	b) 1	b) 3
c) 1,3	c) 3		c) 3	
d) 1				

# Which Account is Best for Me?



**#1 Statement Savings Account** This is a great first account. It has a low opening deposit, low minimum balance, few or no fees, safety, and it is easy to get your money out. The drawback is that you'll earn a lower interest rate. With this account, the financial institution sends you an account statement regularly. You can make as many deposits as you want, but some institutions will charge a fee if you make too many withdrawals in a month. Be sure to ask.

**#2 Certificate of Deposit (CD)** This is a great way to save and earn money if you do not need your money immediately. This account is safe and will earn you a higher interest rate, but you must leave your money in the account for a set period of time. Most accounts require a minimum deposit to open, commonly \$1,000. When you set up a certificate of deposit, you must decide on the maturity date. This is the date when you can access your money again. Maturity dates can be as short as one month after the opening date, but can also be much longer, like 5-10 years. If you really need your money before the maturity date, you can withdraw it, but you'll lose all the interest you earned and you may even have to pay a penalty fee. So think ahead and select a maturity date that will work for you.

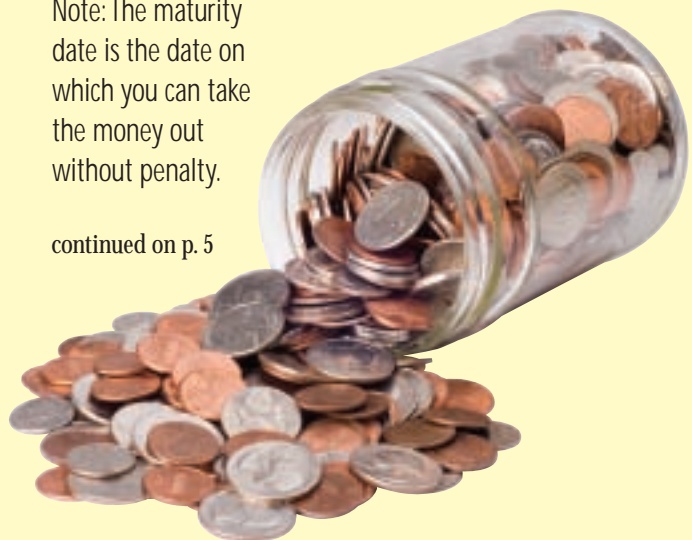
**#3 Money Market Savings Account** This is a great way to earn money if you already have a good starting amount. With this account you have a higher

interest rate and can get to your money anytime, but it requires a large minimum balance, such as \$2,500. The financial institution will pay you the higher money market interest rate as long as you leave the minimum balance in your account. If you do not leave the minimum balance, your fees and penalties will be high. Some accounts limit the number of withdrawals you can make in a month. Also be aware that some money market accounts are not federally insured. For more information, go to the *Is My Money Safe?* section on page 7.

Now that you have an idea of which savings account may suit you best, it is important to know what questions you should ask to decide where to open your account.

Note: The maturity date is the date on which you can take the money out without penalty.

continued on p. 5





## Did You Know?

Many financial institutions will let you open a savings account in your name as a minor. Even though you are under 18, you can open a savings account without a parent's signature. This means that you are the only person who will have access to your money.

## What is a Financial Institution?

It is a business that handles money. Financial institutions where you can open a savings account include:

- Banks
- Credit Unions
- Savings and Loans

## Which Account Is Best for Me? (cont.)

### What Do I Ask?

You know that when you shop for a DVD the price will vary at different stores. Similarly, different financial institutions will have different interest rates, minimum balance, fees and penalties, and so on. This is why it is so important to check out several different institutions. You can either call, check online, or go in person.

Remember, if your financial institution is not close to your home, work, school, or some other location you can reach easily, it will not be convenient for you to bank in person.

### Questions to Ask

1. What is the minimum amount of money I must have in my account at all times?
2. Are student or youth accounts available?
3. How much interest will my account earn?
4. What monthly fees will I have to pay?
5. How much will I be charged if...
  - a. I do not keep my minimum balance in my account?
  - b. I make a deposit or withdrawal?
  - c. I use an ATM machine?
  - d. I close my account?
  - e. I ask how much money is in my account (make a balance inquiry)?
  - f. I use the telephone or internet for account information?
6. How much money can I withdrawal at one time?
7. How often can I withdrawal money?
8. How soon can I withdrawal my money after depositing it?
9. Can I use the Internet to manage my account?



# Identifying Ways to Use Your Account

## Depositing & Withdrawing Money

### Making a cash or check deposit

If you are depositing only cash, you just fill out a deposit slip. (See Step 2 below.)

**Step 1** Depositing a check requires a little more work. To deposit a check you need to sign the back of the check, which is called “endorsing.”

Start by writing “For deposit only” on the back of the check. This way no one else can cash your check. Then, sign your name, right below that, spelled exactly as it is on the front.

**Step 2** Fill out a deposit slip. You can get them at your financial institution.

**Step 3** Now deposit your money, which means giving your money to the financial institution to put into your account. The most common ways to deposit your money are to take it to the financial institution and give it to a teller, deposit it in the ATM, or drop it in the financial institution’s deposit box (most places have both indoor and outdoor deposit boxes). When you are depositing cash, you should take it to a teller. If you do not take a cash deposit directly to a teller, there is the possibility of it being stolen before it reaches your savings account.

If your employer offers direct deposit, you can also have your paycheck automatically deposited into your savings account.

# More About Using Your Account



**Using the money you have deposited:** You can make a withdrawal from your financial institution or an ATM machine. If you go to your financial institution, you will need to fill out a withdrawal slip.

**Getting cash from an ATM machine:** You need your ATM or debit card and your Personal Identification Number (PIN) to get cash from an ATM. Insert your card into the ATM machine and use the keypad to give the machine the requested information. Remember to take your cash, card, and receipt from the ATM when you are finished.

Whether you are making a deposit or withdrawal, it is important to keep a good record of your transactions. Keep your deposit receipts until the deposit shows up on your savings statement, and then destroy the receipts.

**Watching out for foreign ATM fees:** Most financial institutions do not charge a fee for using an ATM when you have an account with them. However, if you use an ATM where you do not have an account (also known as a foreign ATM) you will probably be charged a fee. Some places will charge you as much as \$5.00 for using their ATM. In addition to this fee, your financial institution may also charge you \$1.00 – \$2.00 for using a foreign ATM. This means that you could be paying \$7.00 just to take out \$20.00! All ATM machines are required to have statements notifying you of use fees, so be sure to pay attention. Ask yourself if you really want to pay these fees before making a withdrawal and remember to include these fees when updating your records.

## Picking a PIN



A PIN is your Personal Identification Number. Your financial institution will ask you to pick a four-digit number to enter when using your ATM card. This number should be easy for you to remember. Never share your PIN number with anyone else, even your friends or employees of your financial institution. DO NOT write your PIN number on your ATM card or carry it in your wallet.



# Is My Money Safe?

So what happens to your money if there is a robbery, fire, or other disaster at your financial institution? As long as your financial institution is a federally insured depository institution and you have a deposit account (most savings accounts are deposit accounts) you don't need to worry—look for the FDIC or NCUA insured symbol. Financial institutions that have this insurance have made arrangements with the federal government to protect your money up to \$100,000.00.



## Making the Most Interest

How often do you earn interest on your account? Accounts will pay interest daily, monthly, quarterly, or yearly. You will earn the most money if you are paid daily because you will earn interest on the interest they already paid you. This is called compound interest.

### Smart Savings Tip

Start saving today! Put 5 – 10% of your income into your savings account and watch it grow. Save often—every time you get money.



Money Talks...Should I Be Banking? is a series of three teen guides with accompanying leader's guides designed to assist teenagers in 1) identifying their banking needs and savings habits; 2) understanding the mechanics of using banking services; and 3) developing the skills to select the best financial institutions and accounts for their lifestyles. The topics and subject matter content are based on the results of a survey completed by teens. Comments regarding these teen and leader's guides can be addressed to: Consumer Economics Department, University of California, 135 Building C, Highlander Hall, University of California, Riverside, CA 92321. Authors: Katherine Wassenberg, freelance writer; Development Team: Charles Go; Margaret Johns; Patti Wooten Swanson; Keith Nathaniel; Shirley Peterson; and the UCCE Money Talks Workgroup; Graphic Designer: Kerry Decker, UC Riverside. 2008



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