What is a Checking Account?

A checking account at a financial institution allows you to write checks against amounts you have on deposit. Checks transfer your deposited funds to other people and organizations. Checking accounts also can be accessed by using a debit card in an automated teller machine (ATM) or a point-of-sale (POS) terminal at a retail store. When you use a debit card, funds are instantly deducted from your account and your account balance is affected.

Checking accounts may or may not pay interest—which is the money a bank pays you for having your money at their institution. Interest-paying accounts with no or very low fees are usually available. Most interest-earning checking accounts have a minimum-balance requirement that, if not met, will result in the assessment of a monthly fee. In addition, interest earned is usually not paid for a month when the account falls below the minimum amount.

What is a Savings Account?

A savings account provides you with an instantly accessible source of emergency cash and a temporary place to hold funds in excess of those needed for daily living expenses. There is a rule requiring that savings account holders give 30 to 60 days notice for withdrawals, but this restriction is seldom enforced. The typical savings account offered by financial institutions is the statement savings account (also called a passbook savings account). Customers with these accounts can make frequent deposits or withdrawals. No fees are normally assessed as long as a minimum balance is maintained. Customers are provided with printed receipts to record their transactions. Usually customers can access their funds through ATMs. The process for opening a savings account is similar to a checking account.

What to Expect When You Open a Checking or Savings Account

- **Bring identification.** Before you go to open an account, ask your financial institution what forms of identification they accept. Two forms of current photo identification are usually required.
- **Bring an initial deposit.** You will need to bring money to open your account. Be prepared by asking your bank in advance what is the required minimum deposit.
- **Request an ATM or Debit Cards.** When you open a checking account, your bank will offer you the opportunity to apply for an ATM card and/or a debit card. Both are safe, convenient ways to get cash, make deposits, and transfer funds. A Visa® or MasterCard® symbol on your debit card means you can use it to make purchases wherever those debit cards are accepted. You will be able to use your ATM card to make purchases if the merchant is using one of the electronic ATM networks that’s listed on the back of your card.
- **Set your PIN number.** To use your card at the ATM, you must enter a Personal Identification Number (PIN), a secret combination of numbers or letters that you create. Your PIN is like a secret password. If someone else has it, they can take money out of your account – so don’t share it with anyone! If you do give it out, you may be held responsible for any money you lose. So to keep your money safe, keep your PIN a secret!
- **Sign up for E-Statements.** You most probably will be able to register to receive your account statements electronically. Usually this service is free. When you register for e-statements, you will receive an e-mail at the beginning of the statement period, letting you know that your statements are ready for viewing. You can then look at your statements, 24 hours a day - 7 days a week. You can view, print or download the image file to save to your computer’s hard drive.
- **Set up Overdraft Protection.** Overdraft protection is optional. Overdraft protection is essentially a loan. If your account has a negative balance, your financial institution will deposit a set amount into your account. You WILL be charged a fee for this loan—typical overdraft fees are around $30 per overdraft.

Banks vs. Credit Unions

**Banks**

Banks are corporations chartered under federal and state regulations. They offer numerous consumer services, such as checking, savings, loans, safe deposit boxes, investment services, and automatic payment of bills. Accounts in federally chartered banks are insured against loss by the Bank Insurance Fund of the Federal Deposit Insurance Corporation (FDIC), which is an agency of the federal government.

An example of a bank on the UNL campus is Wells Fargo.

**Credit Unions**

A credit union offers most of the same services as a bank. Credit unions operate on a not-for-profit basis and are owned by their members. The members/owners of the credit union all share some common bond, such as the same employer, church, or trade union. Family members are also eligible to join. Federally chartered credit unions accounts are insured through the National Credit Union Share Insurance Fund (NCUSIF), which is administered by the National Credit Union Administration (NCUA).

An example of a credit union on the UNL campus is the University of Nebraska Federal Credit Union.

Deposits in either type of institution are insured against loss of both the amount of deposit and the accrued interest by various insurance funds. This federal deposit insurance for your deposits at any one institution work as follows:

1. The maximum insurance on all of your single-ownership (individual) accounts (held in your name only) is $250,000.
2. The maximum insurance on all of your joint accounts (accounts held with other individuals) is $250,000.

Resources


UNL is an equal opportunity employer with a comprehensive plan for diversity.
How to Reconcile Your Bank Accounts

It is a very good idea to maintain records of the activities occurring in your various accounts. You should record all checks written, debit card transactions, and deposits in your check register as they take place. It is also a good idea to go online every few days to confirm deposit and withdrawal transactions.

You also should conduct an account reconciliation in which you compare your record with your financial institution’s records in order to check the accuracy of both sets of records and identify any errors. The best time to do so is when you receive your monthly account statement from your financial institution.

Account reconciliation is a 3-step process:

1. Bring your own records up-to-date
2. Bring the bank’s records up-to-date
3. Reconcile the results from Steps 1 & 2

How Banks Calculate Interest

The calculation of interest on an account in financial institutions is primarily based on four variables:

1. Amount of money on deposit
2. Method of determining this balance
3. Interest rate applied to the balance
4. Frequency of compounding (such as annually, semiannually, quarterly, monthly, or daily)

The Truth in Savings Act requires depository institutions to disclose a uniform rate of interest so that depositors can easily compare various checking and savings options that pay interest. This rate, called the annual percentage yield (APY), is a percentage based on the total interest that would be received on a $100 deposit for a 365-day period given the institution’s annual rate of simple interest and frequency of compounding. The more frequent the compounding, the greater the return for the saver. The institution must use the APY as its interest rate in advertising.

Wise money managers select the account option that pays the highest APY and avoid institutions that charge excessive costs and penalties. Given the same APY, savers should choose an institution that compounds interest daily. Comparison shopping could earn you an extra $10 to $20 each year on a $1500 savings account balance.

An account with a grace period provides the customer with a small financial benefit. A grace period is the period (in days) during which deposits or withdrawals can be made and still earn interest from a given day of the interest period. For example, if deposits are made by the tenth day of the month, interest might be earned from the first day of the month. For withdrawals, the grace period generally ranges from three to five days. Thus, if a saver withdrew money from an account within three to five days of the end of the interest period, the savings might still earn interest as if the money remained in the account for the entire period.

Step 1—Bring your own records up-to-date
1. Enter balance from your check register
2. Add deposits not yet recorded
3. Subtract checks and other withdrawals not yet recorded
4. Subtract bank fees and charges included in the monthly statement and not yet recorded
5. Add interest earned

Step 2—Bring the account statement up-to-date
1. Enter ending balance from bank statement
2. Add deposits made since bank statement closing date
3. Add outstanding checks written since bank statement closing date

Step 3—Compare adjusted checkbook register balance and adjusted bank statement balance. If the two balances do not match, identify where the error occurred.

The Benefits of Using a Financial Institution

- Make Your Money Grow—If you open an account that pays interest, the financial institution will pay YOU for having your money at their institution.
- Safety—It’s risky to keep your money in cash. It could easily get lost, stolen, or even destroyed in an unexpected event such as a house fire. By keeping your money in a financial institution, you’ll have the peace of mind knowing your funds are always safe.
- Convenience—By using a financial institution, you don’t have to carry large amounts of cash, but you can conveniently get cash when you want it at bank branches, ATMs, grocery stores, and many other convenient locations even when you travel away from home.
- Employees Can Help You—If you’re new to banking, financial institution employees can explain what accounts and services can help you with your needs.
- Saves Money—Many people who don’t have an account use check cashing stores instead. Most of these stores charge very high fees. You can usually save a lot by using a financial institution.
- Security—Are you worried that a financial institution might mishandle your money, or even go out of business? All U.S. financial institution have to follow federal and state laws and regulations. And your funds are insured.
- Knowledgeable Advice—By working with a financial institution, you can talk to and work with financial professionals. The knowledgeable advice they can give you can be a valuable resource to help you build a better financial future.

http://www.unl.edu/smmc
Parts of a Check

1. Account Holder Name, Account Holder Address, Account Holder Phone number, and Account Holder Email Address can appear in this section of the check called the Address Field.
2. The Bank Name, City and State of the processing facility, or the city and state of the account holder's branch, the bank's phone number, the bank's website address and/or the bank's email address may appear in this section. This section can also be located above field 7, the memo field.
3. The check number appears at the top right, shown here as 101.
4. Pay to the order of: This section should have the name of the person or company that is being paid. The name of the party getting the money.
5. The amount written numerically. If this check were for one hundred dollars, within the box labeled "5" in the example above, it should read, "$100.00"
6. The amount written in words. If this check were for $100, in the blank labeled "6" above, you would write, "One Hundred and 00/100". Many people will then draw a line to the preprinted "Dollars" to discourage alteration. If the check were for $101.59, it would be written, "One Hundred One and 59/100".
7. The “For” or "Memo" blank can be left blank, or you can enter any information at all. Some people note an account number or invoice number that is being paid with the check, others may just write, "For Birthday" or other note to remind them what the check was for. This field is not read by the bank and does not change how the check is processed.
8. The signature line. This is where the account holder would sign the check. On a check draft, the signature is not required, although it is usual to have a signature disclaimer in this section.
9. This MICR field is the Routing Number. This is the 9 digit code that routes the check to the issuing bank. The routing number should match the bank name and the fraction code.
10. The account number. This field is an MICR field that lists the account holder's account number at the bank.
11. Fraction Code - this field is the fraction that denotes the routing for the check. The fraction code is another way to write the 9 digit routing number. If the MICR line on the check is mutilated, the fraction code will be used in its place.
12. The date field. Fill this in with the date the check is created.

Resources
Student Money Management Center
Banking 101: Using ATMs

Parts of a Debit Card

- (1) is the bank logo.
- (2) is the EMV chip (commonly referred to as 'Chip And Pin') - What allows ATM to authenticate your card
- (3) is the Hologram
- (4) is the 16 digit card number
- (5) is the logo of the card type
- (6) is the expiry date
- (7) is the name of the cardholder

- (1) is the magnetic stripe, including the CVC1 code
- (2) is the signature strip
- (3) is the CVC2 code
- The CVC code is a security feature for credit or debit card transactions, providing increased protection against credit card fraud.
- The first code, called CVC1 or CVV1, is encoded on the magnetic stripe of the card and used for transactions in person.
- The second code, and the most cited, is CVV2 or CVC2. This CSC (also known as a CCID or Credit Card ID) is often asked for by merchants for them to secure "card not present" transactions occurring over the Internet, by mail, fax or over the phone.

Using ATMs Safely

- **Stay Alert and Aware**
  Because most ATMs give out cash and many accept deposits, it makes sense to be alert and aware of your surroundings no matter where or when you use an ATM.

- **Follow On-Screen Instructions**
  Not all ATMs work exactly the same way, but they’re all designed to be easy to use. Just follow the directions on the ATM screen that you’re using.

- **Be Aware of Fees**
  Your ATM card will work in machines operated by your own bank. It may also work in ATMs operated by other financial institutions. This flexibility is great, but be careful about fees you may be charged by both your bank and the ATM owner.

- **Know Your Available Balance**
  Your ATM card will work in machines operated by your own bank. It may also work in ATMs operated by other financial institutions. This flexibility is great, but be careful about fees you may be charged by both your bank and the ATM owner.

- **Record Your Transactions**
  Make a habit of writing your ATM transactions and the purchases you’ve made with your ATM card or debit card in your register right away so that you don’t forget. On a monthly basis, compare the amounts on your receipts to those on your bank statement to insure that they match.

Using Electronic Banking Safely

**Protect Your Privacy Yourself**
Here are some tips for reducing the risk on electronic banking problems:

- Never bank via computer on a wireless system away from home. Use your wireless system at home only if it is thoroughly protected.
- Never provide account information if you get an unsolicited email from your bank. It’s likely a scam artist.
- When you are finished banking via computer, always hit the log off button at the top of the page and then close the browser window.
- Avoid using someone else’s computer to manage your account. If you do, shut down the computer completely when finished.
- Regularly change your passwords and keep them to yourself.

Resources