

Savings Choices for Beginning Savers

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Pay Yourself First! Put some money, no matter how little, in savings each payday. Just as an acorn grows to become a giant oak tree, over time, with regular deposits and added interest earnings, your savings will grow into an amount large enough to reach a financial goal.

Before You Save. Before opening a savings account at a bank or credit union, ask about the interest rates the bank is paying on various savings accounts. Next, study the Truth in Savings pamphlet. It gives the bank requirements for minimum deposits and balances, withdrawal restrictions, service fees, rules for insured deposits, the hours the bank is open and the kinds of accounts offered for beginning savers.

Interest Rate or Annual Percentage Yield (APY). Ask your bank about current interest rates paid on savings accounts. Ask to have the rate quoted as the Annual Percentage Yield or APY. Many banks and credit unions post their current rates in the lobby. Some will give you that information over the telephone.

Before you save, compare the current interest rates between banks and credit unions for personal, family and household accounts by looking at the APY.

For current savings, read each bank statement. Check your balance. Note the current yield or interest rate (APY) paid on your savings. Every

statement must tell you any interest earned since your last statement and the total earned for the year.

Minimum Deposit and Minimum Balances. The Truth in Savings pamphlet tells you the required minimum deposit you need to open and maintain an account, and the minimum balance required to earn the maximum APY and avoid monthly service fees.

Withdrawal Rules. Ask, if you can get your money out at any time, if there is a penalty for early withdrawal and if there is a limit to number of withdrawals.

Service Fees. Are there onetime or periodic service fees listed in the bank's Truth in Savings brochure? Service fees are subject to change. Are there charges for each deposit or withdrawal or to open an account or close an account?

Safety. Before you open an account, always ask if your savings are insured. Most bank accounts are. With an insured account, if something happens to your bank or if any of your funds are lost, you will get all of your money back. Look for one of the logos pictured below on the entrance doors and next to each teller's cage. These logos mean your deposits are insured up to \$100,000.

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Convenience. How much trouble is it to open, maintain, and close an account? Can this be done by phone, by letter or ATM (Automatic Teller Machine)? What are the banking hours?

The chart below compares the features for various savings choices offered at different savings institutions.

Savings Choices used by beginning savers include checking accounts that pay interest, passbook savings or certificates of deposit (CDs).

Interest Bearing Checking Accounts at banks and credit unions pay a set rate of interest when the account balance stays above a minimum amount. Fees are charged if the account balance drops below the required minimum. You have unlimited deposits and check writing privileges. This is a good place for current cash. Larger balances provide funds for emergencies. The interest rate paid on your account balance is lower than other bank savings options, such as a CD, and is subject to change.

Passbook or Statement Savings Accounts should be used for small savings or emergency funds, because the rate of return paid is lower than CDs or money market accounts. Funds are usually available at any time. Immediate withdrawals are usually allowed. Check minimum balance requirements. Funds below the minimum do not earn interest. Furthermore, low balances mean you are charged monthly service fees which, over time, will deplete the account. The rate of return is subject to change.

Certificates of Deposits (CDs) are bought for specific amounts of money at a fixed rate of interest for a specific amount of time. Some banks offer CDs for as little as \$500, others require \$1,000. There is a penalty for early withdrawal. You take a chance if you want to use the money in a CD for emergencies. But, because a CD earns more interest than money in passbook savings, if you don't have to withdraw funds early for any reason, you will be money ahead.

Savings Options	Where	Interest Rate	Minimum Deposits and Balances	Withdrawal Restrictions	Service Fees
NOW Checking Account	Bank, Savings and Loan	Varies	\$300 and up to earn interest	None	If below minimum balance
Share Draft Checking	Credit Union	Varies	Varies	None	None
Statement/ Passbook	Bank, Savings and Loan	Varies	\$100	None	If below minimum balance
Share Accounts	Credit Union	Varies	Varies \$5-\$100	None	None
Certificate of Deposit	Bank, Savings and Loan	Fixed	\$500 and up	Penalties for early withdrawal	None
Share Certificate	Credit Union	Fixed	Set by Credit Union	Penalties for early withdrawal	None

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