Syracuse Smart Money

INTRODUCTION TO BANKING

Bank: a bank is a financial institution licensed to receive deposits and make loans. Banks make a profit from the difference in interest rate paid and charged. They are insured by the Federal Deposit Insurance Corporation (FDIC).

Credit Union: a credit union is a nonprofit financial institution that is owned by the people who use its financial products. They are insured by the National Credit Union Administration (NCUA). Like banks, credit unions charge interest and account fees. However, they invest those profits back into the products they offer. As soon as an individual opens an account with a credit union, they become member and partial owner with equal voting rights.

Aspects	Banks	Credit Unions
Structure	For-profit	Not-for-profit
Deposit account rates	Usually lower interest rates, especially at large national banks	Usually higher interest rates
Deposit insurance	FDIC insures up to $250,000 per account	NCUA insures up to $250,000 per account
Customer service	Personal interactions less of a priority (community banks may be an exception)	Local and personal engagement emphasized
Physical Locations	National banks have many more branches; regional ones, not quite as many	Fewer ranches than banks but may share branches via network
Technology	Often quicker to roll out new apps and other tech	Generally lag in new technology

Types of Bank Accounts

Checking Account: a checking account is a deposit account held at a financial institution that allows withdrawal and deposits

Savings Account: a savings account is an interest-bearing deposit account held at a bank or other financial institution. Although savings accounts are interest-bearing, interest rates are typically lower than other types of financial instruments.

Money Market Account: has the same FDIC protections as a basic savings account but typically offers slightly higher interest rates. However, money market accounts typically require a higher minimum balance and offer limited check-writing privileges.

Certificate of Deposit: a CD is an interest-earning savings account that allows depositors to earn interest on a lump sum for a fixed amount of time. CDs differ from a savings account because money from a CD cannot be accessed until the specified fixed amount of time has transpired. Withdrawing money early from a CD may result in a fee. The CD term length, interest rate, and minimum deposit requirement may vary by institution.

Checking	**Savings**
• ATM withdrawals (may be capped at a certain amount daily) • Debit card takes funds directly from your account • May provide an option to order checks • Easy transfers to pay bills online	• Typically offers higher interest rates • Limited access so you won't be tempted to use for impulse buys • You may need to move money into checking to make frequent withdrawals • Can be linked to checking so you can transfer funds between accounts
You might use it for:	
• Paying bills • Grocery or other everyday shopping	• Saving for a big-ticket item, like a vacation or a car
You might pay fees for:	
• Not carrying a minimum balance • Using other banks' ATMs • Withdrawing more money than is available in your account	• Not carrying a minimum balance • Excessive withdrawals—different banks have different rule