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Selecting a checking account

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Quick Facts

A checking account provides a safe, convenient way to pay financial obligations.

People who write fewer than five checks per month may not need a checking account.

Those who do need a checking account can choose from an analysis plan, a minimum balance plan, a free checking account or a package account.

In addition to the standard fees in maintaining a checking account, there are possible charges for stop payment orders, overdrafts, personalized checks, and postage when banking by mail.

Before opening a checking account, the consumer should find out the rules and regulations governing the checking account.

A consumer should analyze checking needs, make a comparison of kinds of accounts from different banks and select one that is most advantageous.

A checking account usually is opened by an individual in order to have a safe, convenient way to pay financial obligations and to have a record of payment. There are many kinds of checking accounts. A careful choice can reduce the consumer's cost anywhere from \$10 to \$30 per year.

The Needs of a Consumer

A person needs to analyze his or her checking needs. How many checks are written per month? How many deposits are made per month? How much money over and above actual transactions is it necessary to maintain in a checking account?

People who write fewer than five checks per month may not need a checking account. These people might use as an alternative to a checking account a savings account which has no limits on withdrawals and either has inexpensive money orders, free money orders, will write free checks,

or will automatically deduct from the account and pay routine bills such as mortgage payments and utilities.

Persons who do want or need to have a checking account have a variety of choices.

Types of Checking Accounts

An *analysis plan* charges the customer for every transaction. There is a charge for checks and a charge for deposits. There is a credit given for the amount of balance maintained for the month.

With a *minimum balance plan*, the customer usually receives unlimited checking activity in return for maintaining a specified minimum balance. Generally, there is a service fee if the account falls below the minimum balance.

It is important to know how the bank determines minimum balance. Some banks use the lowest balance at any time during the month for the average balance. Other banks use the average daily balance as the minimum balance. The average daily balance method allows for more fluctuation in the account.

Minimum balance plans, while they may be advertised as free, are not free. The consumer who leaves a minimum balance in a checking account is losing the interest that the money would have earned in a savings account. The person opening a minimum balance account should compare the minimum balances required at different banks. Usually the minimum balance required ranges from \$100 to \$300. If the consumer chooses, instead of an account requiring a \$300 minimum balance, an account requiring a \$100 minimum balance and puts the \$200 difference in a savings account paying 5¼ per cent interest, the \$200 would earn slightly over \$10.

A *free checking account* is the most desirable checking account for a consumer. In this plan there is no charge for processing of checks, no monthly service fee, and no required minimum balance. Usually, there is a charge for the printing of personalized checks.

Package accounts offer a variety of bank services for a fixed monthly fee. A typical

1/ Alice Mills Morrow, CSU associate professor, home management (10/15/76)

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