

Decisions, Decisions: A Case Study

Getting Started: Damita and Darien, 16-year old twins, have been offered their first summer jobs. Damita will work at Benny's Big Burger and Darien got a job at a local swimming pool as a lifeguard. As a condition of employment, Darien must have his earnings deposited directly to a checking or savings account. Damita will receive a physical check.

Each twin's net, or take-home, pay will be \$1,000 per month. Damita wants to save to attend culinary school when she graduates high school next year. Darien plans to pay for soccer lessons during the summer, but would like to build a small savings fund. Damita's goal is to save \$800 each month and spend \$200. Darien's soccer lessons will cost \$500 each month. He wants to save \$200 and use the remaining \$300 as spending money.

Bank Information: Before starting their jobs, the twins begin their search for a financial institution. They remembered their math teacher showing them the Bank Checklist from the FDIC's *Money Smart* curriculum and decided to use it. They research nearby banks and credit unions. Before an institution goes on their checklist, they make sure that the bank or credit union provides the basic services they want. Both Damita and Darien have smartphones and are especially interested in mobile or online banking, so they rule out any institution that does not offer these services.

Although their preference is to bank online and via their smartphones, they make sure that they will have convenient access to branches and bank ATMs. Damita and Darien agree that paying fees to access their money at out-of-network (i.e., ATMs not in their bank's network) ATMs is something to avoid!

After looking at the locations, hours, and ATMs of local banks and credit unions, the twins decide to review Hometown Bank, MyTown Bank, and Bank of OurTown on their checklist. They work together to complete the checklist.

The banks being reviewed offer student accounts that require lower opening and minimum monthly balances, and charge lower monthly maintenance fees. In addition to lower balances and fees, Hometown Bank offers special incentives for their student savings accounts.

Account Information. The twins learn that the banks will allow them to open savings accounts in their own name without a co-owner. A custodian (i.e., a parent or guardian) is required to open a checking account at Hometown Bank and MyTown Bank, while the Bank of OurTown allows anyone over the age of 14 to open a checking account in his/her own name. Damita and Darien both have ID cards issued by their local school district, which satisfies the identification requirements of each institution.

Damita plans to deposit the full amount of her paycheck into a savings account and take out a small amount using an ATM. She thinks a savings account will meet her needs. Darien wants to explore both types of accounts.

Checking Account. The Hometown Bank and MyTown Bank require a \$5 minimum deposit to open a checking account and Bank of OurTown requires \$1. The minimum balance requirement for the Hometown Bank and MyTown Bank is also \$5 and their monthly fee for not maintaining the minimum balance is \$10. Bank of OurTown's monthly minimum requirement is higher at \$25, and has a \$20 maintenance fee. Bank of OurTown's fee can be waived if there is at least one direct deposit made each month. Since Darien's payroll checks will be deposited directly to his account, he is certain that he'll never have to pay a fee. Damita reminds him that this is a summer job and he might not be able to rely on the fee waiver after the summer. Since Damita plans to open a savings account only, she needn't worry.

All three institutions allow unlimited withdrawals from their checking accounts, and pay interest. Bank of OurTown's rate is slightly higher. The deposit hold times are three days for Hometown Bank and MyTown Bank. At Bank of OurTown, payroll deposits are immediately available and other deposits are subject to a three-day hold.

Overdraft Programs. As the twins complete the overdraft section of the Bank Checklist, they see the importance of maintaining up-to-date account records. Hometown Bank's overdraft fee is \$33 and MyTown Bank's is \$30. Bank of OurTown charges \$28. They look at each institution's "opt-in" (coverage of debit card and ATM transactions when funds in account fall short for a fee) program. Since Darien is leaning toward a checking account with a debit card, he quickly decides that he will not opt-in when he learns that anytime he swipes his card, the charge will be honored if he has insufficient funds to cover the charge and he will be assessed an NSF fee.

If they write a check for more money than is in their account, the bank is likely to charge an NSF fee. And, they may be charged a "bounced check" fee from the payee for whom they wrote the check. To manage their accounts, they decide that they will take advantage of the low-balance text alerts and the ability to transfer money between their individual savings and checking accounts offered at each institution.

Savings. Damita and Darien find that they can open a savings account with a minimum deposit of \$10 at Hometown Bank, and \$5 at MyTown Bank, and that Bank of OurTown does not have a required minimum opening balance. Damita is interested in learning more about Hometown Bank's youth savings accounts, which offers an initial deposit match of up to \$25 and another \$50 when the balance reaches \$100. After all, she has \$35 saved from gifts. If she chooses this account, she will have \$60 and be well on her way to getting another \$50. She sees the money growing already! The minimum monthly balances are also low: \$10 at Hometown Bank, \$5 at MyTown Bank, and \$0 at Bank of OurTown. Hometown Bank's interest rate is higher than the other two at .50% APY. Each institution charges \$5 if the account balance drops below the stated minimum.

ATM, Debit Cards, and Mobile or online Banking. Free in-network ATMs are easily accessible for all three institutions. The fees for out-of-network ATMs range from \$2 to \$4 per transaction and cannot be waived. No-fee debit cards are also available from all three institutions. If the twins use their debit cards at a merchant, they can get cash back without incurring a fee, and avoid going to an ATM. Each financial institution caps debit card transactions at \$200 per day for student accounts.

Since Damita and Darien only include financial institutions that offer mobile or online banking on their Bank Checklist, all three institutions offer online bill payment, mobile check deposits, and the ability to check balances for no fees. Being able to take a picture of her check and deposit it into her account is especially important to Damita. She doesn't want to spend her Saturday morning going to a bank to deposit a check.

Making a Choice Based on Best and Worst Case Scenarios. After they complete the Bank Checklist, the twins add up the “best-case” monthly and annual costs of maintaining both a checking and savings account at each of the institutions. Assuming they always meet the minimum balance requirements and use only in-network ATMs, they will be able to take advantage of each of the bank's savings and checking accounts for free.

Damita and Darien also understand that sometimes the unexpected happens, so they look at some “worst-case” scenarios before they make their final selections. They include all monthly fees and two out-of-network (used an ATM not in the bank's network) ATMs fees each month. The fees increase to as much as \$360 per year. Then, they decide to add two NSF fees to their review.

Annual Cost	Hometown Bank	MyTown Bank	Bank of OurTown
No Fees – Best Case (See page 22.)	\$0	\$0	\$0
Monthly Fees (See page 23.)	\$180	\$180	\$264
Monthly Fees incurred and with 2 monthly out-of-network ATM fees (See page 24.)	\$252	\$228	\$360
Monthly Fees with 2 NSF and 2 monthly out-of-network fees (See page 25.)	\$318	\$288	\$416

After looking at the best- and worst-case scenarios, the twins realize two things. First, shopping for a financial relationship is personal. There is no one-size-fits-all account. Second, by calculating several scenarios—from the best-case to the worst-case—they have a better appreciation of how their choices, such as using an out-of-network ATM and maintaining accurate records, affect the cost to maintain an account.

Damita decides that opening a savings account at Hometown Bank is ideal. She will deposit her check via mobile deposit and keep a careful watch on the number of withdrawals each month. She is confident that she'll be able to stay within the bank's guidelines which reflect the federal regulation that allows no more than six monthly withdrawals from a savings account. And, the offer of \$75 in matching funds is too good to pass up.

Darien decides that he will open both a checking and savings account at Bank of OurTown. Now that he has a good understanding of the fees, he will be very careful to avoid them. He will have his payroll deposited to the checking account and transfer funds to his savings account online immediately after he is paid to be sure he makes his savings goal. Tracking balances will be important and he will use the mobile app to help avoid fees.

Bank Checklist - Best Case Scenario¹

*If the financial institution is a credit union, be sure you are eligible to join.

		Bank Name/ Account Type Hometown Bank	Bank Name/ Account Type MyTown Bank	Bank Name/ Account Type Bank of Our Town
Bank Information	Does the bank offer the services I need?	Yes	Yes	Yes
	Convenient branches and ATMs?	Good	Excellent	Excellent
	Bank hours?	8-5 (Sat 9-1)	9-6	9-5
	Do employees speak my language?	Yes	Yes	Yes
	Is it insured by FDIC/National Credit Union Administration (NCUA)?	Yes	Yes	Yes
	Does the bank have any special programs for students?	Yes	Yes	Yes
Accounts	Requirements for opening account?	Custodial	Custodial	Non-Custodial
Checking Accounts	Minimum opening balance?	5	5	1
	Minimum monthly balance?	5	5	25
	Fees?	10	10	20
	Fee waivers available?	Yes	No	Yes
	Number of withdrawals per month without a fee?	Unlimited	Unlimited	Unlimited
	Earns interest?	.10%	.10%	.30%
	Deposit hold times?	3 days	3 days	Payroll – 0 days Other – 3 days
Overdraft Programs	Low balance alerts offered?	Yes	Yes	Yes
	Overdraft fees?	33	30	28
	Link to a savings account to cover overdrafts?	Yes	Yes	Yes
	Opt-out options?	Yes	Yes	Yes
Savings accounts	Minimum opening balance?	10	5	0
	Minimum monthly balance?	10	5	0
	Annual percentage yield (APY)?	.50%	.10%	.10%
	Fees?	\$5	\$5	\$2
	Fee waivers available?	Yes	Yes	Yes
	Withdrawal limits per month?	6	6	6
	Services available?	Yes	Yes	Yes
ATM Cards	Fees?	\$0/\$3	\$0/\$2	\$0/\$4
	Fee waivers available?	Yes	Yes	Yes
	Location/number of ATMs?	Good	Excellent	Excellent
Debit cards	Fees?	None	None	None
	Fee waivers available?	NA	NA	NA
	Rebates or bonuses for use?	Limited	Limited	Limited
	Location/number of ATMs?	Good	Excellent	Excellent
	Debit card transactions requirements or limits?	\$200 Daily	\$200 Daily	\$200 Daily
Mobile/ online banking	Is it available?	Yes	Yes	Yes
	Transaction types and limits?	Mobile Deposit	Mobile Deposit	None
	Fees?	None	None	None
	Fee waivers available?	NA	NA	NA
	Online bill pay?	Yes	Yes	Yes
	Other Information?	\$25/\$50 match		
Total Monthly Costs		0	0	0
Total Annual Costs		0	0	0

¹ Fees are stated on a monthly basis

Bank Checklist - Monthly Fees Scenario

*If the financial institution is a credit union, be sure you are eligible to join.

		Bank Name/ Account Type Hometown Bank	Bank Name/ Account Type MyTown Bank	Bank Name/ Account Type Bank of Our Town
Bank Information	Does the bank offer the services I need?	Yes	Yes	Yes
	Convenient branches and ATMs?	Good	Excellent	Excellent
	Bank hours?	8-5 (Sat 9-1)	9-6	9-5
	Do employees speak my language?	Yes	Yes	Yes
	Is it insured by FDIC/National Credit Union Administration (NCUA)?	Yes	Yes	Yes
	Does the bank have any special programs for students?	Yes	Yes	Yes
Accounts	Requirements for opening account?	Custodial	Custodial	Non-Custodial
Checking Accounts	Minimum opening balance?	5	5	1
	Minimum monthly balance?	5	5	25
	Fees?	10	10	20
	Fee waivers available?	Yes	No	Yes
	Number of withdrawals per month without a fee?	Unlimited	Unlimited	Unlimited
	Earns interest?	.10%	.10%	.30%
	Deposit hold times?	3 days	3 days	Payroll – 0 days Other – 3 days
Overdraft Programs	Low balance alerts offered?	Yes	Yes	Yes
	Overdraft fees?	33	30	28
	Link to a savings account to cover overdrafts?	Yes	Yes	Yes
	Opt-out options?	Yes	Yes	Yes
Savings accounts	Minimum opening balance?	10	5	0
	Minimum monthly balance?	10	5	0
	Annual percentage yield (APY)?	.50%	.10%	.10%
	Fees?	\$5	\$5	\$2
	Fee waivers available?	Yes	Yes	Yes
	Withdrawal limits per month?	6	6	6
	Services available?	Yes	Yes	Yes
ATM Cards	Fees?	\$0/\$3	\$0/\$2	\$0/\$4
	Fee waivers available?	Yes	Yes	Yes
	Location/number of ATMs?	Good	Excellent	Excellent
Debit cards	Fees?	None	None	None
	Fee waivers available?	NA	NA	NA
	Rebates or bonuses for use?	Limited	Limited	Limited
	Location/number of ATMs?	Good	Excellent	Excellent
	Debit card transactions requirements or limits?	\$200 Daily	\$200 Daily	\$200 Daily
Mobile/ online banking	Is it available?	Yes	Yes	Yes
	Transaction types and limits?	Mobile Deposit	Mobile Deposit	None
	Fees?	None	None	None
	Fee waivers available?	NA	NA	NA
	Online bill pay?	Yes	Yes	Yes
	Other Information?	\$25/\$50 match		
Total Monthly Costs		15	15	22
Total Annual Costs		180	180	264

Bank Checklist - Monthly Fees with ATM Charges Scenario

*If the financial institution is a credit union, be sure you are eligible to join.

		Bank Name/ Account Type Hometown Bank	Bank Name/ Account Type MyTown Bank	Bank Name/ Account Type Bank of Our Town
Bank Information	Does the bank offer the services I need?	Yes	Yes	Yes
	Convenient branches and ATMs?	Good	Excellent	Excellent
	Bank hours?	8-5 (Sat 9-1)	9-6	9-5
	Do employees speak my language?	Yes	Yes	Yes
	Is it insured by FDIC/National Credit Union Administration (NCUA)?	Yes	Yes	Yes
	Does the bank have any special programs for students?	Yes	Yes	Yes
Accounts	Requirements for opening account?	Custodial	Custodial	Non-Custodial
Checking Accounts	Minimum opening balance?	5	5	1
	Minimum monthly balance?	5	5	25
	Fees?	10	10	20
	Fee waivers available?	Yes	No	Yes
	Number of withdrawals per month without a fee?	Unlimited	Unlimited	Unlimited
	Earns interest?	.10%	.10%	.30%
	Deposit hold times?	3 days	3 days	Payroll – 0 days Other – 3 days
Overdraft Programs	Low balance alerts offered?	Yes	Yes	Yes
	Overdraft fees?	33	30	28
	Link to a savings account to cover overdrafts?	Yes	Yes	Yes
	Opt-out options?	Yes	Yes	Yes
Savings accounts	Minimum opening balance?	10	5	0
	Minimum monthly balance?	10	5	0
	Annual percentage yield (APY)?	.50%	.10%	.10%
	Fees?	\$5	\$5	\$2
	Fee waivers available?	Yes	Yes	Yes
	Withdrawal limits per month?	6	6	6
	Services available?	Yes	Yes	Yes
ATM Cards	Fees?	\$0/\$3	\$0/\$2	\$0/\$4
	Fee waivers available?	Yes	Yes	Yes
	Location/number of ATMs?	Good	Excellent	Excellent
Debit cards	Fees?	None	None	None
	Fee waivers available?	NA	NA	NA
	Rebates or bonuses for use?	Limited	Limited	Limited
	Location/number of ATMs?	Good	Excellent	Excellent
	Debit card transactions requirements or limits?	\$200 Daily	\$200 Daily	\$200 Daily
Mobile/ online banking	Is it available?	Yes	Yes	Yes
	Transaction types and limits?	Mobile Deposit	Mobile Deposit	None
	Fees?	None	None	None
	Fee waivers available?	NA	NA	NA
	Online bill pay?	Yes	Yes	Yes
	Other Information?	\$25/\$50 match		
Total Monthly Costs		21	19	30
Total Annual Costs		252	228	360

Bank Checklist - Monthly Fees with ATM Charges Scenario and 2 Annual NSF Charges

*If the financial institution is a credit union, be sure you are eligible to join.

		Bank Name/ Account Type Hometown Bank	Bank Name/ Account Type MyTown Bank	Bank Name/ Account Type Bank of Our Town
Bank Information	Does the bank offer the services I need?	Yes	Yes	Yes
	Convenient branches and ATMs?	Good	Excellent	Excellent
	Bank hours?	8-5 (Sat 9-1)	9-6	9-5
	Do employees speak my language?	Yes	Yes	Yes
	Is it insured by FDIC/National Credit Union Administration (NCUA)?	Yes	Yes	Yes
	Does the bank have any special programs for students?	Yes	Yes	Yes
Accounts	Requirements for opening account?	Custodial	Custodial	Non-Custodial
Checking Accounts	Minimum opening balance?	5	5	1
	Minimum monthly balance?	5	5	25
	Fees?	10	10	20
	Fee waivers available?	Yes	No	Yes
	Number of withdrawals per month without a fee?	Unlimited	Unlimited	Unlimited
	Earns interest?	.10%	.10%	.30%
	Deposit hold times?	3 days	3 days	Payroll – 0 days Other – 3 days
Overdraft Programs	Low balance alerts offered?	Yes	Yes	Yes
	Overdraft fees?	33	30	28
	Link to a savings account to cover overdrafts?	Yes	Yes	Yes
	Opt-out options?	Yes	Yes	Yes
Savings accounts	Minimum opening balance?	10	5	0
	Minimum monthly balance?	10	5	0
	Annual percentage yield (APY)?	.50%	.10%	.10%
	Fees?	\$5	\$5	\$2
	Fee waivers available?	Yes	Yes	Yes
	Withdrawal limits per month?	6	6	6
	Services available?	Yes	Yes	Yes
ATM Cards	Fees?	\$0/\$3	\$0/\$2	\$0/\$4
	Fee waivers available?	Yes	Yes	Yes
	Location/number of ATMs?	Good	Excellent	Excellent
Debit cards	Fees?	None	None	None
	Fee waivers available?	NA	NA	NA
	Rebates or bonuses for use?	Limited	Limited	Limited
	Location/number of ATMs?	Good	Excellent	Excellent
	Debit card transactions requirements or limits?	\$200 Daily	\$200 Daily	\$200 Daily
Mobile/ online banking	Is it available?	Yes	Yes	Yes
	Transaction types and limits?	Mobile Deposit	Mobile Deposit	None
	Fees?	None	None	None
	Fee waivers available?	NA	NA	NA
	Online bill pay?	Yes	Yes	Yes
	Other Information?	\$25/\$50 match		
Total Monthly Costs		21	19	30
Total Annual Costs		252+66=318	228+60=288	360+56=416