



CHOOSING THE RIGHT ACCOUNT FOR YOU

Most financial institutions offer 2 main kinds of accounts:

- ▶ Chequing Accounts
- ▶ Savings Accounts

CHEQUING ACCOUNTS

A chequing account usually refers to an account that you use as an everyday account.

- ▶ Allows you to make regular withdrawals
- ▶ Usually doesn't earn much or any interest
- ▶ An account you can use to deposit your paycheque and pay your bills
- ▶ You may have a debit card attached to this account

Kinds of Chequing Accounts:

Most financial institutions offer several different types of chequing accounts such as:

- ▶ **Basic:** Usually has a low monthly fee or none at all. Generally, they don't include any free transactions so you pay for each transaction (often called a pay-as-you-go account).
 - * If you don't have a lot of bills or won't use your account much, this may be the best option for you.
- ▶ **Mid-Level:** Will have a moderately priced monthly fee and include a limited number of free transactions. You only pay for any transactions that exceed the number of free included transactions.
 - * If you have a moderate level of spending that does not regularly generate service charges that compare with the high-level account fee, this may be the best option for you.
- ▶ **High-Level:** Will have a higher monthly fee and include an unlimited number of free transactions. It may also come with some other included 'perks' such as a free safe deposit box or free cheques.
 - * If you have a lot of transactions in a month, this may be the best option for you.
- ▶ **Student Account:** Often has a low monthly fee or no fee at all and includes a moderate number of free transactions. It may also come with some included 'perks' such as free e-Transfers or special interest rates on other banking products such as student loans, credit cards or savings accounts. These accounts usually have a qualifying requirement such as an age range or proof of school enrollment.
- ▶ **Senior's Account:** Often has a low monthly fee or no fee at all and includes a moderate number of free transactions. It may also come with some included 'perks' such as a free safe deposit box or free cheques. These accounts usually require you to be a certain age to qualify for the account.

- ▶ **eBanking Account:** A self-serve/electronic banking account that provides lower fees for electronic or self-serve banking transactions and charges a little more for in-branch transactions.
 - * If you like to do your banking online or on your smartphone, this may be the best option for you.
- ▶ **USD Account:** A chequing account for US dollars rather than Canadian dollars.
 - * If you travel outside of Canada frequently, this may be a good kind of account for you to consider.

If you are unsure what chequing account will suit you best, be sure to talk with someone at your financial institution. If you can tell them how you plan to use your account, they should be able to guide you to the best option for you.

* As you move through life, you may find that your spending habits change as your lifestyle changes and so it's a good idea to take a look at your chequing account every once in a while to ensure that your account is still the best account for you.

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SAVINGS ACCOUNTS

A savings account is one that allows you to save money and earn interest.

Things to Consider:

Before you choose a savings account, it's a good idea to think about your long-term and short-term savings goals and how you plan to use your account. Most savings accounts do not charge a monthly fee and so you will need to consider other factors when you make your decision.

- ▶ **Number of Free Withdrawals/Transactions:**
 - ▶ Some accounts will offer a couple free withdrawals/transactions per month but charge you for any that go over that number.
 - ▶ Some accounts will charge for all transactions
 - ▶ Some accounts will waive transaction fees if you keep a minimum month balance in your account.
 - * Consider how many withdrawals you plan to make and how often you expect to make them and compare that with your savings account options.

- ▶ **Interest:**

Savings accounts are generally defined by the ability to earn interest but they do not all have an equal approach to how they calculate and pay interest.

- ▶ **Interest Rate:** What is the posted interest rate? How much does the account say you will earn and how does that compare with your other options? Is there a higher introductory rate that you receive for a limited time and then it reverts to something less?
 - * Be sure you know what rate you will receive long-term and how it compares with your other options.
- ▶ **Interest Rate Calculation:** Look at how the interest on your savings account is calculated and paid.
 - *Daily Interest:* calculated on the balance of your account every day and usually paid at the end of the month

- *Monthly Interest:* calculated on the lowest balance in your account during the month and then paid at the end of the month
 - *Quarterly Interest:* calculated on the lowest balance in your account during the quarter and then paid at the end of the quarter
 - *Annual Interest:* calculated on the lowest balance in your account during the year and then paid at the end of the year
 - *Compound Interest:* most savings accounts operate on a principle of compound interest which is a way of calculating interest where you earn interest on your interest. eg. when you deposit money into your savings account, you earn interest on the amount you deposited (the principal). The interest you earn is deposited into your account and if you leave it in your account, it becomes a part of your savings account balance when calculating the next term's interest.
- ▶ **Minimum Balance:** Some savings accounts will require that you maintain a minimum balance in your account to earn interest and some financial institutions will pay you interest on the full account balance once you reach the minimum balance and others will only pay you interest on the amount that exceeds the minimum balance.
 - ▶ **Tiered Interest:** Some savings accounts will be based on a tiered interest scale. For these accounts, the financial institution will set up a tiered system based on your account balance to determine how much interest you earn. eg. \$0 - \$4,999.99 - no interest, \$5000.00 - \$9,999.99 - 1% interest, \$10,000 and up - 1.5% interest.
- ▶ **Minimum Deposit:**
Some savings accounts may require you to make a minimum initial deposit to open them.

MAKING YOUR CHOICE

When you're choosing an account, don't get stuck trying to choose between a chequing account or a savings account, the right decision may be for you to open one of each.

Consider your finances, your spending and savings habits, and your long-term and short-term goals.

If you need help, reach out to someone at your financial institution and they should be able to guide you in your decision making process.