Banking Accounts

- **Checking Account**
  - Checking account is either zero interest or very low interest bearing
  - Checking account can have infinitely many transactions
  - No Minimum balance limit

- **Saving Account**
  - Offers higher interest rate
  - Limited number of transactions you can do per month
  - Has a minimum balance limit
Debit Card

- Money is deducted directly from checking account
- PIN-based cards provide protection against identity theft
- Liability if it's stolen: $50 if you notify bank within two days; $500 if you notify bank after two days
- Fees: Some banks charge for use of debit cards
- Returns can be tricky, because retailers treat transactions like cash
- It is better to buy online with credit than debit
- Be careful not to overdraw your checking account
How to Balance A Checkbook

- Use the check register
How to Balance A Checkbook Cont.

- Find out your current balance
  - Online Banking
  - Call or visit your bank
  - Check current balance using ATM

- Record all the transactions
  - Subtract all checks your wrote
  - Subtract any withdrawals or payments from the account
  - Add any deposits or payments to the account
  - You get the ending balance
How to Balance A Checkbook Cont.

- Reconcile your checkbook
  - Compare your check register with the statement from the bank
  - Check off which statements have cleared
  - Add any interest that the bank has paid you
  - Subtract any fees that the bank has charged you

- Correct mistakes
Finish Balancing

Source: Wikihow
Credit Cards
Credit Card Basics

- Differences from a Debit Card
  - Don’t need a checking account
  - Don’t need money stored in the card
  - There is a credit limit for Credit Card
Credit Cards

- Advantages of using credit cards
  - Spend in advance without paying interest rate if making full payments in time
  - Rewards: cash rewards, travel rewards, specific product rewards, etc
  - Low risks: Credit card has very low risks as there is no money attached to it
What you need to know about Credit Cards

- **Annual Fee**: a fee charged each year for using the card. Many cards do not have an annual fee.

- **Annual Percentage Rate (APR)**: the interest rate you will be charged if you don’t pay your balance in full each month.
  - **Introductory APR**: a low rate at the beginning of using a card, which will go up after a certain time.
What you need to know about Credit Cards Cont.

- Balance Transfer Fee: a fee charged to transfer balance from one credit card to another

- Cash Advance Fee: a fee charged to take cash from your credit card

- Late Payment Fee: a fee charged if the payment is received after the due date
Understanding Credit Score

- Credit Score measures a person’s ability to repay his or her debt
- The most commonly used credit score is FICO
- FICO ranges from 300 to 850, with 60% of people falling between 650 and 799
How do I establish a good credit score?

- Don’t easily close down your credit card account
- Be sure to pay monthly payment in time
- Don’t run up the balance on your card
- Don’t spend over the credit limit
- Don’t check credit reports too frequently
- Don’t apply for credit cards too frequently
- Try to establish credit history earlier
Payments

- No interest charged if you pay the full balance each month
- If you do not pay the full balance each month, there will be an interest rate, based on APR
- There is a minimum amount you have to pay each month
How to calculate interest payments

- Find out which method your credit card issuer uses to charge interest
  - Average Daily Balance: adding up daily balance divided by number of days

For example, for days 1 through 15, you have a balance of $1,000. You make a payment on day 16 of $500. For days 16 through 30 your balance is $500. So, \((15 \times 1,000) + (15 \times 500) = 22,500\). Divide that by 30 and you have an average daily balance of $750.
How to calculate interest payments

- Figure out the monthly interest rate
  - Monthly Interest Rate = APR/12

- Figure out the interest charge
  - Multiply monthly interest rate by your average daily balance
Questions?