

# Section 1: Financial Products, Services, and Providers

We will discuss how your needs should determine which financial products, services, and providers you select.



## Key Takeaway



Consider your needs and shop around for financial products and services.

## Financial Institutions: Banks and Credit Unions

Banks and credit unions are financial institutions. They offer a wide range of products and services to help you manage your money. They accept deposits and loan money. For example, they offer checking accounts and savings accounts. They may also offer credit cards, car loans, personal loans, mortgages, and other products and services.

### Differences Between Banks and Credit Unions

Banks and credit unions are similar, but they have some key differences.

Banks have customers. Credit unions have members. You have to meet a credit union's criteria for membership to open an account.

Credit unions are not-for-profit organizations owned by their members. Most banks are owned by shareholders.

Banks and credit unions are regulated and insured to keep your money safe.

We use the term "financial institution" in Money Smart to include both banks and credit unions.

## Deposit Insurance

The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the United States government. It protects the funds depositors place in FDIC-insured banks.

Since the FDIC was established in 1933, no depositor has lost a penny of FDIC-insured funds.

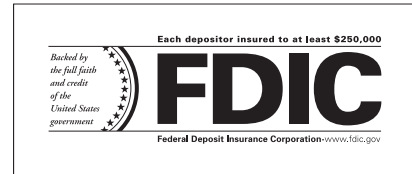
FDIC deposit insurance protects you if the bank fails, meaning that it is closed down by the government.

The FDIC insures deposit accounts at banks, including savings accounts, checking accounts, and certificates of deposit. It also insures cashier's checks, money orders, and other official items issued by an FDIC-insured bank.

The FDIC provides insurance of at least \$250,000 per depositor, per FDIC-insured bank, per ownership category—single account, joint account, certain retirement accounts, for example.

You may notice that banks mention they are a member of the FDIC when you visit a branch or their website.

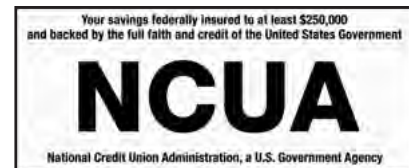
To verify that an institution is FDIC-insured, click on “Bank Find” at [www.fdic.gov](http://www.fdic.gov) or contact the FDIC’s toll-free Call Center at 1-877-275-3342.



The National Credit Union Administration (NCUA) insures deposits at credit unions.

To verify that a credit union is NCUA-insured, go to <http://mapping.ncua.gov/> or contact the NCUA toll-free at 1-800-755-1030. You can learn more at [www.mycreditunion.gov](http://www.mycreditunion.gov).

NCUA insurance rules are similar to those of the FDIC.



## Accessing Services

Financial institutions may offer access through branches, automated teller machines (ATMs), phone numbers, email, online, and/or through mobile apps.

Let the financial institution know if you need a reasonable accommodation to access its services.

## Products and Services Available at Financial Institutions

### Deposit products include:

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**Savings accounts** – Used to set money aside for use in the future. Money in a savings account earns interest.

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**Checking accounts** – Transaction accounts used to deposit money into it and take money out frequently. Money in a checking account may earn interest.

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**Certificates of deposit (CD)** – Used to set money aside for use in the future. They typically offer a higher rate of interest than savings accounts. You need to keep money in a CD for a certain period of time or you likely have to give up some of the interest you earned.

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**Money market accounts** – Used to earn a higher rate of interest with a higher minimum balance than savings accounts.

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### Credit products include:

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**Credit cards** – Revolving credit. You can borrow money over and over again up to your credit limit.

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**Lines of credit** – Another form of revolving credit, allowing you to borrow money up to a certain amount.

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**Installment loans** – Loans repaid in equal payments over a number of months or years. The final payment may be different than the regular payment amount.

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**Mortgages** – Loans secured by your home, usually to purchase it or refinance an existing mortgage. They are usually installment loans.

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### Other products and services include:

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**Check cashing** – Converting a check to cash.

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**Money orders** – Used to send money, such as to pay bills.

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**Prepaid cards** – Have money deposited onto them. They usually aren't linked to your checking or savings account.

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**Debit cards** – Used to access money that is in your checking or savings account.

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**Cashier's checks** – Checks guaranteed by a financial institution.

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## Other products and services also include:

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**Automated teller machines (ATMs)** – Machines that can process a variety of banking transactions including accepting deposits and loan payments, providing cash for withdrawals, and transferring money between accounts.

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**ATM cards** – Used at an ATM for various account transactions. You might also be able to make some purchases with an ATM card.

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**Online or mobile banking, including bill-paying services** – Used to manage your accounts using the Internet on a computer or mobile device.

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**“Person-to-person” payments (P2P)** – Apps or other web-based services that you can use to transfer money to someone.

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**Remittance transfers** – Moving money to a person or business in another country.

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## Other Financial Service Providers

Businesses other than financial institutions also provide some financial products and services. Often, they only extend credit or provide transaction services. They generally do not accept deposits.

## What Financial Products and Services Do You Need?

Financial products and services can help you save, spend, manage, and borrow money.

But how do you know what financial products and services to use? How do you select a financial institution?

You start with your **needs** — specifically, your financial management needs. Some people may use the phrase “money management needs.”





## Try It: What Do You Need to Manage Your Money?

Read the scenario and answer the questions.

### Scenario: Susannah Considers What She Needs to Manage Her Money

Susannah has a full-time job and receives a paycheck every two weeks.

She has had trouble in the past paying her bills on time, and she has credit card debt she wants to pay off. But, she also wants to build emergency savings.

Susannah needs a car within the next year and wants to be able to get a good rate on the car loan.



**What are Susannah's financial management needs?**

**What products or services do you think could help her address each of her needs? There may be more than one option for each need.**

**Where can she get each product or service you identify?**



## Apply It: My Financial Management Needs

Check off what you need related to your money and finances.

I need:

- To save my money for emergencies or my goals in a safe and secure place
- To pay my bills in a safe and secure way
- To send money to family or friends electronically
- To get access to cash quickly
- To borrow money
- To improve or build my credit
- To build a relationship with a financial institution

**What other financial management needs do you have?**

**What financial products or services do you think will help you address each need?**

**Where can you get the financial products or services you need?**



## Apply It: My Banking Checklist

You can use this checklist to compare financial institutions and accounts. Use a separate piece of paper if you need more space.

### Financial Institution Name and Account Type

1	
2	
3	

1. My Needs and Access	Financial Institution		
	1	2	3
Is the institution insured by FDIC (for banks and savings associations) or NCUA (for credit unions)?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
If the institution is a credit union, am I eligible to join?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do I feel welcome and valued as a potential customer?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Does the institution offer products and services I might need? (Mobile app, personal loans, vehicle loans, mortgages, credit cards, savings products, other)	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are the products and services described in terms and language I can understand?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is staff available to answer my questions at times that work for my schedule? (In person, by phone, through online chat, secure email, other)	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Can I access my account information how and when I need it? (Phone, paper, online, mobile, other)	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Can I access my money how and when I need it? (Convenient ATM, branches, other)	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are there special accounts for students, older adults, or other groups I'm part of? What benefits are there to these accounts?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Other:			

### Apply It: My Banking Checklist *continued*

2. Checking Accounts, Reloadable Prepaid Cards and other Transactional Accounts	Financial Institution		
	1	2	3
Minimum opening deposit?	\$	\$	\$
Minimum monthly balance?	\$	\$	\$
Will my money earn interest? If yes, what is the Annual Percentage Yield (APY)? What balance do I have to maintain to earn interest?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
How can I deposit money? (Branch, ATM, online, mobile app, other)			
If I plan to deposit checks, how soon will the funds generally be available to me?			
Is there an online or mobile bill payment feature? How does it work?	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Can I set up alerts, such as for low balances? If yes, can I choose how they are sent? (Email, text, phone, other)	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
What fees might I have to pay every month? What other fees are there? (Ask for a fee schedule)			
Other:			
3. Savings Accounts			
Minimum opening deposit?	\$	\$	\$
Minimum monthly balance?	\$	\$	\$
What is the Annual Percentage Yield (APY)? What balance do I have to maintain to earn interest?			
What fees might I have to pay every month? What other fees are there? (Ask for a fee schedule)			
Other:			