



Educational Material: Understanding Checking Accounts vs. Savings Accounts

Introduction

Managing money is an essential skill, especially as you grow older and start earning your own income. Two of the most common types of bank accounts are **checking accounts** and **savings accounts**. Understanding the differences between these accounts can help you manage your finances more effectively.

Checking Accounts

1. Purpose:

- A checking account is designed for daily transactions and easy access to your money. It's ideal for managing your day-to-day expenses.

2. Features:

- **Debit Card:** Provides easy access to your funds for making purchases or withdrawing cash from ATMs.
- **Checks:** Allows you to write checks to pay bills or make payments.
- **Direct Deposit:** Employers can directly deposit your paycheck into your checking account.
- **Online Banking:** Manage your account, pay bills, and transfer money through your bank's website or mobile app.

3. Benefits:

- **Convenience:** Easy access to your money for everyday spending.
- **Bill Payment:** Simple way to pay bills, either through checks or online banking.
- **Record Keeping:** Keeps a record of your transactions, which can help you track your spending.

4. Considerations:

- **Fees:** Some checking accounts may have monthly maintenance fees or charges for using out-of-network ATMs. Ask your bank about student accounts which sometimes have reduced or no fees.
- **Interest:** Most checking accounts do not earn interest or earn very little interest compared to savings accounts.



Financial Fitness Facts

Savings Accounts

1. Purpose:

- A savings account is designed to help you save money over time. It's a secure place to keep money that you don't need for daily expenses.

2. Features:

- **Interest Earnings:** Savings accounts typically earn interest, meaning your money can grow over time.
- **Limited Transactions:** There may be limits on the number of withdrawals or transfers you can make each month.
- **Safety:** Money in savings accounts is often insured by the FDIC (Federal Deposit Insurance Corporation) up to a certain amount.

3. Benefits:

- **Interest:** Earns interest, helping your savings grow.
- **Goal Setting:** Good for setting aside money for specific goals, like buying a car or saving for college.
- **Financial Cushion:** Provides a safety net for unexpected expenses.

4. Considerations:

- **Access:** Not as easily accessible for daily transactions as a checking account.
- **Fees:** Some savings accounts may have fees if you don't maintain a minimum balance or if you exceed the number of allowed transactions.

Key Differences

Feature	Checking Account	Savings Account
Primary Use	Daily transactions and spending	Saving money over time
Access	Easy access via debit card, checks, and ATMs	Limited access to encourage saving
Interest	Typically low or no interest	Typically earns interest
Transaction Limits	No limits on transactions	May have limits on monthly withdrawals/transfers
Fees	Possible monthly fees and ATM fees	Possible fees for low balances or excess transactions



Financial Fitness Facts

Which Account Should You Use?

- **For Daily Expenses:** Use a checking account for regular spending, paying bills, and receiving direct deposits.
- **For Saving Money:** Use a savings account to set aside money for future goals, emergencies, and earning interest.

Tips for Managing Your Accounts

1. **Monitor Your Accounts:** Regularly check your account balances and transactions to avoid overdraft fees and stay on top of your spending.
2. **Automate Savings:** Set up automatic transfers from your checking account to your savings account to build your savings effortlessly.
3. **Avoid Fees:** Look for accounts with low or no fees, and understand the fee structures of your accounts to avoid unnecessary charges.
4. **Set Financial Goals:** Use your savings account to work towards financial goals, such as buying a car, going on a trip, or saving for college.



Conclusion

Both checking and savings accounts play important roles in managing your finances. By understanding their features, benefits, and limitations, you can use them effectively to meet your financial needs and goals. Start managing your money wisely today to ensure a secure financial future.



Financial Fitness Facts

Quiz: Checking Accounts vs. Savings Accounts

1. What is the primary purpose of a checking account?

- A. Saving money over time
- B. Daily transactions and easy access to funds
- C. Earning interest on deposits
- D. Investing in stocks

2. Which of the following features is typically associated with a checking account?

- A. High interest rates
- B. Limited transactions
- C. Debit card access
- D. Long-term investment options

3. What is a common benefit of having a savings account?

- A. Easy access to funds for daily expenses
- B. High-interest earnings on deposits
- C. Unlimited transactions
- D. No need to monitor account activity

4. How often can you usually make withdrawals from a savings account without incurring fees?

- A. Unlimited withdrawals
- B. Limited withdrawals per month
- C. Only once a year
- D. No withdrawals allowed



Financial Fitness Facts

Quiz: Checking Accounts vs. Savings Accounts

5. Which account would you typically use for paying bills and receiving direct deposits?

- A. Savings account
- B. Checking account
- C. Investment account
- D. Retirement account

6. What is one potential fee associated with checking accounts?

- A. Monthly maintenance fees
- B. Fees for exceeding transaction limits
- C. Fees for earning too much interest
- D. Fees for not making deposits

7. Why might you choose to set up automatic transfers from your checking account to your savings account?

- A. To avoid paying bills
- B. To make it easier to save money
- C. To increase spending on daily expenses
- D. To reduce the interest earned

8. What is one key difference between checking accounts and savings accounts?

- A. Checking accounts typically have higher interest rates
- B. Savings accounts are used for daily transactions
- C. Savings accounts encourage saving with interest earnings
- D. Checking accounts limit the number of withdrawals



Financial Fitness Facts

Answers:

1. **B)** Daily transactions and easy access to funds
2. **C)** Debit card access
3. **B)** High-interest earnings on deposits
4. **B)** Limited withdrawals per month
5. **B)** Checking account
6. **A)** Monthly maintenance fees
7. **B)** To make it easier to save money
8. **C)** Savings accounts encourage saving with interest earnings



Financial Fitness Facts

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