

# Opening a Bank Account: Be the Boss of Your Own Money

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Zane Parks hit two big milestones last year: He got his driver's license and his first checking account.

Parks, a senior at Trinity Christian Academy in Addison, Tex., says the bank account accompanied the license because his parents knew he would need "freedom on the road." But along with learning how to parallel park and merge onto a busy expressway came some important lessons on budgeting and keeping his spending within his limits. "There's been some months where I had to wait until just the other side of the month so I could fill up my tank with gas," says Parks. "It was daunting; I was afraid I'd run out on the side of the road."

## Spend What You've Got

Parks learned an early financial lesson, and one that experts say is important: You can only spend the money you've got. For teenagers who have a bank account, it's a concept that, if learned early, can pay off big time throughout their lives. "[Having a bank account] starts great financial habits and spending plans early," says Dallas-area parent and lawyer Pam Hardison.

["Teens realize they can be the boss of their own money."?](#)

They can learn to watch where their money goes and realize that the extra gourmet coffee or movie might be money that's better spent next month."

Opening an account means learning to navigate the banking system. There are two basic types of bank accounts: savings and checking. Typically, checking accounts are used for money that will pay routine expenses — think rent, gas and food — and savings accounts are used to sock away money for a specific goal or in case of a financial emergency. You can write checks against a checking account, and savings accounts typically earn interest, which means that the bank pays you interest on the money held in the account. While savings accounts have relatively low interest rates compared to other types of investments, they do give you easy access to your money.

Both savings and checking accounts can come equipped with an ATM card or debit card, which forces users to limit their spending to what they have in their bank accounts. According to the *Charles Schwab 2011 Teens & Money Survey*, about 52% of teens have a savings account, and about a third of teens have a checking account. About 42% have their

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own ATM or debit card.

Although the debit card is a big draw for teens who open bank accounts, it is also one of the easiest ways to make a financial misstep. That's why banking and budgeting is a big part of the curriculum at Survivor U, a financial education course started by Hardison, entrepreneur Leslie Clayton and businesswoman Holly Powers. The course is taught at Trinity Christian Academy, where Parks goes to high school, during study halls and in the summer, and covers topics like banking, taxes and investing.

The three Survivor U founders all agree that having a bank account in high school is a great opportunity for students and a great responsibility as well. It is a step that teens should take with their parents: Not only does anyone under 18 need to have a parent's name on the account for legal reasons, but teens should be getting some guidance during their first banking experiences, especially in areas like budgeting and tracking expenses.

[“If you don't have a spending plan, your money floats away,” notes Powers. “It's like popping popcorn without the top on the pan – it just flies everywhere.””?](#)

## Choosing a Bank

Before opening an account, you should do some research. Find a bank that is close to your home, school or work, or otherwise convenient for you to get to. Check for accounts that don't require a high balance — the amount you plan to keep in the account — to open, and look for the option with the fewest fees. Credit unions are essentially the same as banks, although they're usually available only to members of a certain population – people who work at a company or live in a specific town, for example.

Here are some basic steps you will take when you decide where you want an account – but remember, anyone who's younger than 18 will need to do all of this with a parent or guardian.

- **Go to the bank.** Although you can often open accounts online, or at least start the process there, going to the bank itself makes it easier for you to ask questions and learn about your account. Bring your driver's license, a state ID card or a passport to show proof of identification. Some banks will allow you to open an account at a teller's window, but many will ask you to sit down with a bank employee at his or her desk. If you're not sure whom to talk to, just ask a teller.
- **Decide what kind of account you want.** If you've done your homework, you will have an idea of what's best for you, but don't be afraid to ask bank employees questions to make sure you're ending up with the right kind of bank account for your needs.
- **Sign away.** If you're not 18, your parent or guardian will do this for you, but opening a bank account includes a lot of paperwork and signatures. Make sure you understand what all the papers mean and what you're signing, and keep asking questions if you are unsure.
- **Get checks.** Although they are not used as often now, at some point in your life you will have to write a check. Make sure you know all the places on a check you're supposed to fill out – the date, the “to” line, the amount of the check both as a number and written out, and the signature at the lower right-hand corner.
- **Get an ATM/debit card.** That is the way most teens are using bank accounts now, and it gives you a lot more freedom to access your money.
- **Sign up for online banking.** Most banks and credit unions allow you to check your balances online, and it's a good habit to get into, says W. Henry Walker, CEO of Farmers & Merchants Bank in Long Beach, Calif. “Keep a running balance and know how much you have and how much you'll need” for expenses, he suggests. Not only is it the best way to catch fraud, but it is important to know how much you're spending so that you don't spend more money than you have.

Frequent checks of your bank account balances serve another important purpose: catching fraud. About \$3.56 billion was lost to debit and credit card fraud in the United States alone in 2010, according to *The Nilson Report*, which covers the electronic payment industry. The easiest way to catch financial criminals in the act is to monitor bank transactions online so the fraudulent ones can be caught and reported to police.

Credit cards usually limit the financial damage that's done to cardholders in cases of fraud, but with debit cards, those protections aren't always in place, notes Clayton.

[““Every bank account is different, so it's important to talk about the differences,””?](#)

she adds.

The easiest way to avoid fraud is to be smart about your account numbers, PINs and your banking passwords. Bank employees should never ask you for that information, either online or over the phone, so don't ever give it out, Walker says. “If someone's asking for that, be aware you're likely talking to a fraudster.”

## Questions

What are savings and checking accounts, and how do they differ?

How can opening a bank account help you learn to budget? Why is this important, especially if you use a debit card?

What is the easiest way to avoid banking fraud? Have you experienced financial fraud or identity theft of any kind? If so, how did it go down and what steps did you take to better protect your money?

## Related Links

- [KWHS: Building Up those Bank Accounts: An Amsterdam Student's View on Global Financial Literacy](#)
- [KWHS: Why It Pays to Save: Knowing the Time Value of Money](#)
- [KWHS Lesson Plan: Money in the Bank: Where Is Your Money?](#)
- [KWHS Lesson Plan: Earning Simple Interest](#)
- [Bankrate.com](#)
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