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# A Trip to the Bank, Lollipops and World Savings Day

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*While many countries celebrate Halloween on October 31, it is also the date of another global occasion that, if ignored, can have frightening financial consequences. Some countries also observe World Savings Day on October 31. First introduced in 1924, World Savings Day promotes the importance of bank savings. This year's theme is "Grabbing Hold of Your Financial Future."*

*Studies show that saving money is something we should all be talking about. According to a report released earlier this year by the Global Financial Literacy Excellence Center (GFLEC) at George Washington University, many young people struggle with high debt and low savings. Annamaria Lusardi, director of GFLEC, calls millennials "a generation at risk" when it comes to their finances.*

*Rohit J. Roy, a junior at Ridge High School in Basking Ridge, N.J., recently submitted an essay to KWHS about opening his first bank account in the U.S. Roy also travels to India each summer to visit his grandparents, uncles, aunts and cousins. So, in honor of World Savings Day, Roy shares his foray into the banking system – and his commitment to saving money for a secure future.*

I opened my first bank account at the local branch of the Fulton Bank of New Jersey a few months ago. Late one Friday afternoon, my parents, my little sister and I walked in and requested to meet with one of the bank officers. She took us over to her desk, offered us water bottles and lollipops, and asked us how she could help.

"I want to open a bank account," I said. "I'm 15, and I have never opened one before."

"Since you're under 16, you will have to open a custodial savings account, with a parent as the custodian," she explained. "It will be a normal savings account in your name, but your dad will also have access to and control of the funds."

I saw this as a great opportunity to learn about banking and to keep my money safe, so my dad and I agreed to open the account. After providing some personal information, including my full name, date of birth, Social Security number and address, I was in business. The teller handed me a slip of paper with my new account number written on it and congratulated me for becoming one of Fulton's youngest customers.

Next, she showed me a deposit slip, explained how to fill it out, and allowed me to make my first bank deposit. And with that, \$100 of saved allowance money was out of my piggy bank and into secure savings with Fulton, earning me some interest. Since then, I have been depositing my monthly allowances in my bank account, learning to save and handle my money responsibly.

Here are a few things I've learned along the way.

First, the basics. Having a bank account allows you to save and keep money securely at a financial institution and to also take out money when you need it. The process is easy. You can open an account online or by visiting one of the banks in your neighborhood. I really benefited from opening my account in person because I was able to talk to a banking expert about my options and figure out the best course of action for my own financial situation. Obviously, those requirements change as your age and life circumstances change.

## Taking Account of Your Options

The most popular types of bank accounts include checking accounts, savings accounts, money market accounts and certificates of deposit.

A checking account is best for everyday use. This type of account offers easy access to your money for your daily living expenses and helps keep your money safe. For example, it allows you to easily pay for living expenses such as food, clothing, books, or school supplies. You can write checks against a checking account.

A savings account is a way for you to keep your money for future use and earn interest. Since the primary purpose of this account is to park your money, federal law (Regulation D) limits the number of electronic withdrawals and transfers that you can make to a maximum of six per month. If you exceed this limit, your transaction may be declined and you may even be charged an excess activity fee. There is no limit on the number of withdrawals that you can make in person or via an automated teller machine.

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. You will also be able to access your account online by setting up a login ID and password. A lot of banks these days provide their own banking app that you can download to your iPhone or Android smartphone. You can use the banking app to manage your account, such as checking account balances, making online bill payments and electronically depositing checks to your account.

A money market account is similar to a savings account, but it requires you to maintain a higher balance to avoid a monthly fee. While a savings account typically offers a fixed interest rate, a money market account offers rates that vary based on market conditions. Money market accounts can have tiered interest rates as well, providing higher interest rates for higher balances. Some money market accounts also allow you to write checks against your funds.

A Certificate of Deposit (CD) allows you to invest your money at a set interest rate for a set period of time, such as three months, six months, one year, two years, five years, and so on. CDs often offer higher interest rates than savings accounts because the money is inaccessible for the duration of the term. If you need to withdraw the money before the end of the term, you will have to pay a penalty. CDs can be a great savings strategy for a longer-term financial goal, like buying a car.

When I talk about keeping your money safe, I don't just mean stacks of bills inside massive bank vaults and armored cars. The Federal Deposit Insurance Corporation (FDIC) insures deposits held in bank accounts — checking, savings, money market and CDs — up to \$250,000 per account, per depositor, per insured bank. That means that if for some reason your bank gets into financial trouble, your money won't disappear. You should open an account with a bank that is insured by the FDIC and also not exceed the \$250,000 limit for each account you own with that bank in order to get full protection.

When I turn 16 in a few months, I'll visit my local Fulton branch again to open my first checking account. As you can probably tell, money interests me – not just earning it, but also taking advantage of the systems to manage and grow it. We have so much support out there to better understand our financial future, and we shouldn't wait until we are out of high school to start exploring it.

I'll be back soon with another KWHS essay about my money-management experiences. Next up: investing with the help of robo-advisors — science fiction or smart strategy?