Checking Vs. Savings: Choosing the Best Account for Your Needs

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If you're searching for a new place to store your money, it's important to understand the different benefits you'll receive from checking and savings accounts. Both types of accounts allow you to earn interest on your balance, but you'll encounter different features with each. Checking accounts typically grant you greater access to your money, while savings accounts often yield higher interest rates. To determine which type of account is right for you, consider the following five factors.

1. Determine What Kind of Access You Want

First, consider how often you'll need to be able to withdraw your money. Checking accounts typically offer unrestricted access to your funds, though you may be required to keep a particular balance in order to be eligible for the account's interest rate. Conversely, savings accounts are often accompanied by strict terms on withdrawals. You might be limited to a set number of withdrawals per month or year. However, if you're planning to keep the money invested, it's easy to meet the terms of a savings account. If you aren't prepared for emergencies and unexpected bills, checking accounts provide greater flexibility.

2. Consider Interest Rates

After you've determined how often you'll need access to the money, think about the availability of interest rates. Banks typically offer very different interest rates for checking and savings accounts. Most savings accounts carry higher interest rates because banks can set limitations on your withdrawals. They offer more favorable rates in exchange for your investment commitment. As you choose between checking and savings accounts, think about how much interest you need to receive. If you're interested in an actual savings vehicle that will help you earn money with low risk, a savings fund is the best choice.

3. Look for Restrictions and Limitations

Read the fine print before signing up for a new account. Both checking and savings accounts include restrictions and limitations that can greatly affect the quality of the offer you're receiving. It's important to be aware of minimum balance requirements, restrictions on withdrawals and limitations on deposits. Some checking accounts require consumers to make a particular number of purchases with their debit cards each month, while others only offer interest on a portion of the total balance. Before you fill out any applications, make sure you'll be able to adhere to the account's terms.

4. Compare Deals from Multiple Banks

Most people wouldn't buy a new car or a large appliance without reading consumer reviews and shopping for the best price ahead of time, and you should treat your finances the same way. Spend some time researching checking and savings accounts from multiple banks. Figure out which banks offer accounts with the highest interest rates and which banks have the most favorable terms. Many banks also offer additional specials and incentives to new customers, so you might be able to get even better terms by switching your finances to a new institution. Though it might take a bit of time to look into multiple accounts, you'll save more money over the duration of your account. Think of the research time as an investment in your future.

5. Find Accounts with the Best Features

In addition to looking for the account with the best interest rate, spend time looking for one that makes banking easy. Many new accounts include extra benefits like online banking, mobile access and overdraft protection. Online banking and other features that make it easy for you to access your account can help you save time and money, while overdraft protection gives you peace of mind and prevents you from racking up costly fees. These extra perks add to the overall value of your account and can greatly enhance your banking experience.

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