

Getting to Know Your Bank Fees

by Alex Chastain, CFP®

In recent years, it was not uncommon to have free checking. However, it seems that free checking has gone the way of the free airline meal. Recent banking regulation has restricted the banks on the fees that they can charge their customers and they stand to lose billions of dollars in revenue. As a result, they are looking for additional income by levying new fees on consumers' accounts by establishing maintenance fees, raising minimum balance requirements, assessing higher ATM fees, and ending rewards programs. While some fees are unavoidable there are ways to keep your fees to a minimum.

The first step is to be an educated consumer by familiarizing yourself with your bank account. It is important for consumers to know the applicable fees, services and restrictions that their account may have. Many consumers leave their account on auto-pilot and do not realize that rules and fees have changed. For example, if you once had free checking with a \$500 minimum balance requirement the new minimum imposed may be \$5,000. If you notice a new or unexpected fee on your statement, call your bank and have a representative walk you through your banking options. There may be an account option available that better suits your needs. Some of the most common fees are listed below along with ways to minimize or eliminate the fees.

Monthly service fee - Many banks have reintroduced the "monthly service fee" which is a charge for holding your money. There are several ways to avoid this fee which are bank specific. The most common ways to reduce or eliminate this fee are: direct deposit, online-only banking, going paperless, limiting transactions, consolidating accounts and keeping a minimum required balance.

Overdraft fee - This is one of the most expensive fees charged to bank customers. The fee can range from \$22 - \$36 for every transaction you make while your account is in overdraft (most banks limit the number of daily overdraft charges). Previously, banks could elect to give their customers free "Overdraft Protection". The transaction approval and assessment of fees occurred without customer approval or knowledge.

In response to consumer complaints, the Federal Reserve enacted rules in August 2010 which require banks to give consumers the choice to opt-in or opt-out for overdraft protection. Consumers who "opt out" of the program will have transactions declined while those who "opt in" will have checks and transactions covered at a cost. While it sounds like a no-win situation, there are ways around the overdraft fee: instead of overdraft protection, apply for an overdraft line of credit or link your checking account to a savings account.

ATM withdrawals - Withdrawing money from an ATM outside your bank costs an average of \$2.33 while the surcharge imposed on customers for using an outside ATM is \$1.41 for a total average fee of \$3.74. The easiest way to avoid this fee is to use your bank's ATMs or see if your financial institution belongs to a third-party network of ATMs, such as Allpoint, MoneyPass or Presto!, none of which charge a withdrawal fee for members. You can also limit your need for an ATM by using the cash back feature when making purchases with your debit card.

Debit card convenience fee - Several of the largest banks (Bank of America, Wells Fargo, Chase and Regions) recently announced they will begin charging customers a monthly convenience fee for the use of a debit card. The fee is seen as a reaction to the Durbin amendment which limits the fees that banks can levy on merchants every time a consumer uses a debit card. For many, this fee is unavoidable because the use of a debit card has become a way of life. As banking fees continue to grow consumers may have the motivation they need to reconsider their current banking relationship and explore alternatives.

Highlighted below are options for consumers to consider:

Online banks - Online banking is increasingly popular as consumers become more comfortable with the use of the internet. Because online banks have no overhead or physical infrastructure, they can offer free banking and higher interest rates. In addition, online banks offer 24/7 access allowing consumers the ability to quickly initiate transactions at anytime from anywhere.



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For those comfortable in "the cloud," the online bank benefits are great but those who long for a personal relationship may be disappointed. Online banking comes with some drawbacks: there is no physical plant; no proprietary ATM machines (several online banks refund all ATM fees at the end of the month since they typically don't have their own ATMs) and transactions may take longer to process if you have to mail deposits or paperwork.

Credit union - A credit union is a member-owned, not-for-profit, cooperative financial institution. Because they are service driven, rather than profit driven, any profit is passed on to the members through better services, better rates, lower fees and special discounts. In addition to the lower rates and fees, credit unions typically have surcharge-free ATMs, online financial services and free savings and checking accounts. Many workplaces, associations and churches have relationships with credit unions that one can access or you can find a credit union by visiting www.findacreditunion.org. It has become evident that bank fees will continue to grow in the foreseeable future. The responsibility to find the right home for your money will be yours. It is important to understand your bank's strengths and weakness and find the right place for you. As they say, there is no such thing as a free ride, however you want make sure that the price you pay is fair for the ride.

