

Chapter Two

Banking

Ok, so one day hopefully sooner than later you're going to earn some money, if you haven't already. Where are you going to keep that money? In a shoe box...under the mattress, in a locker...No, of course not!!! What you're going to need is a bank account. You've worked hard for it, or maybe you haven't, but that's beside the point, let's talk about how you're going to protect and hopefully save some of it.

I find it amazing that so many people lack the basic knowledge of how banks work. I'm not talking about the in depth behind the scenes stuff, I'm talking how and why having a checking account is so important. In the next chapter I will discuss how working and getting paid actually works, but for now let's just discuss why it is so important to protect your hard earned money.

I'll let you in on a little secret, mom and dad have made mistakes before, yup they have probably forgot to pay a bill or swiped the wrong card and were charged a fee, an *overdraft fee*. Overdraft fees are normally somewhere in the area of \$35 to maybe around \$50 today, and are deducted from your account if you make a purchase and do not have enough money to cover the purchase. OK, in layman's terms, wait a second, to put something in "layman's terms" is to describe a complex

topic using words that the average person can understand...sigh, anyway here's an example.

The \$40 Mocha Latte

I used coffee for this example because I'm actually sitting in a coffee shop typing. Let's say you have \$3 in your checking account (We'll discuss the types of different accounts shortly) and you go in to your favorite coffee spot and purchase your favorite drink, a "Mocha Latte" for \$5. You hand the barista (Fancy word for a person that's making your mocha latte) your debit card. He or she swipes the card, you get your drink, you sit and study while simultaneously checking your text messages, Snap Chat, Instagram etc. because you're a great multitasker. You finish up for the evening, get home and check your online banking via your app on your iPhone and see that your balance is -\$37...that's right negative thirty-seven dollars! "But how?" you ask, let me explain.



\$3.00 (Your balance)
-5.00 (Your Mocha Latte)
-35.00 (Over Draft Fee)

-\$37.00 Your Balance after your purchase + Over Draft Charges

Some banks allow you to make purchases even if you do not have the funds available in your account, how nice of them, but for a fee of course. Banks charge what is called an overdraft charge any and every time this happens. Remember I worked in banking, and the number one complaint from customers was always in reference to those charges.

Some banks are nice enough to refund some of the fees, but don't depend on it because banks make millions of dollars annually from our mistakes so don't make this a habit, in fact you know about them now so hopefully you won't have to make that call or visit to the bank asking for forgiveness in the form of a refund. Some banks allow you to opt out of allowing purchases to go through all together by declining your card when the funds are not available in your account. I hope that \$40 coffee (\$35 overdraft charge + \$5 coffee) was great. With that being said let's get in to the different types of accounts out there, and what to look for when opening one.

Listed below are some of the different types of accounts available. Some you may need now and others you may use further down the line. Just familiarize yourself with the terms and know that they are out there;