

GLOSSARY OF BANKING TERMS:

Automatic teller card (ATM):

- This is a plastic card that can be inserted into machines to give you cash. The money is immediately electronically subtracted from your account.

Balance:

- This is how much money you have in your account.

Bank or credit union statement:

- This is a monthly document from the bank showing deposits, withdrawals and other such activity for the preceding month. Be sure to check the statement with your own records, such as your checkbook.

Certificate of Deposit (CD):

- This is a commitment of a certain amount of money for a certain amount of time, during which the bank guarantees a certain rate of interest. For example: buy a \$500 CD with a three-month term at 6.25% compounded once only. After three months the bank gives you \$531.25. You will earn higher interest rates with CDs than if you just leave your money in a savings account, but you lose some liquidity, as there is a penalty for early withdrawal of your money.

Checking account:

- Rather than deal in cash, most people leave their needed monthly money in a checking account. You may withdraw money at any time by writing a check. If you write a check for more money than you have in your account, you will do what is called *bouncing a check* and you will incur large penalties from both the bank or credit union and the business to whom you wrote the check. If you have overdraft protection, the bank or credit union will withdraw money from your savings account to cover the check. This service usually costs a fee for each check, but is far cheaper than having checks bounce.

Compounding:

- Compounding occurs when the bank or credit union pays interest into your account. Greater frequency of compounding means your money grows faster.

Credit card:

- This card allows you to buy goods and services and then pay later for them, when you get the credit card bill. They are convenient in that you need not carry cash and they are accepted by many businesses. Some will also allow you to accrue "miles" towards free airlines tickets, usually at a rate of one mile for each dollar charged. Most cards have high rates of interest, so if you use a credit card you will want to pay off the entire balance each month.

Debit card:

- This card is issued by a bank allowing the holder to transfer money electronically to another bank account when making a purchase.

Federally insured:

- Banks that are insured (almost all are) have the commitment of the U.S. government to return your deposits to you even if the bank or credit union goes out of business, up to \$100,000 per account. This is a good thing. Look for terms like FDIC or FSLIC, which means they are insured.

Liquid assets:

- An asset is something of financial value, whether cash, an investment, a gold watch, diamonds, etc. An asset is liquid if it is easily obtainable and can be used fairly quickly. A check from an account at home that takes three weeks to arrive and another three weeks to be verified by a U.S. bank or credit union is not very liquid.

Money market account:

- This is a savings account with a higher rate of interest. Typically there are restrictions on how many transfers of money you can make each month from this type of account, thus money market accounts are somewhat less liquid than savings accounts.

Rate of interest:

- This is how much the bank will pay you to keep your money in its vaults, expressed in a percentage. The rates fluctuate based on global economics and local competitiveness of banks and credit unions.

Safe deposit box:

- These are safe and secure places to store valuable documents or small possessions like jewelry.

Savings account:

- Unlike a checking account, you need to withdraw money personally from a savings account. A good place for excess money, but you won't earn much interest.