

Banking – Savings & Chequing

Banks and other financial institutions offer many different investment alternatives – ways for you to access, save and grow your money.

A LITTLE BIT ABOUT BANKS

- Banks provide a safe place to keep your money.
- Banks might pay you interest (a percentage of what you have in the bank)
Banks invest your money to make more money.
- Banks charge fees for transactions you make
Examples include:
- withdrawals
- bill payments
- writing cheques
- debit purchases
- Unless you have a large sum of money in the bank, you usually pay the bank more in fees than the bank pays you interest

Are you really richer than you think? THINK ABOUT IT?

Do you have the right accounts?

To get your finances organized, you need to set up an efficient system of bank accounts. Use this list to see if you have the right type and number of accounts, and if you could reduce your banking fees.

Chequing account

Your chequing account should be the hub of your day-to-day financial system. Use it to its fullest:

- Have your **paycheque deposited automatically** for ready access to your money.
- Set up our **Pre-authorized Transfer Service** to move money you don't need right away into a savings, investment or RSP account.
- Set up **pre-authorized bill payments** and loan repayments to ensure you never miss a bill payment or incur interest charges.
- Sign up for **Paperless Record Keeping** so you can view cheques you've written, check account balances and review your transaction history online at any time.

Because you'll probably be using this account a lot, make sure you have a plan that allows you to make all the transactions you need, without paying additional fees. For example,

- If you make a lot of withdrawals, bill payments or other transactions, choose an account that offers **unlimited transactions**.
- If you usually make very few transactions, or if it's a secondary account, choose an account with a **lower monthly fee** that offers fewer transactions.
- If you expect to have a steady balance in the account, choose a plan that **waives the monthly fee** when a minimum balance is maintained.

It's probably easier to maintain just one chequing account, from which you make the bulk of your financial transactions. It may also be more economical because you'll **save on monthly banking fees**.

Savings account

A savings account is a great place to save for a rainy day, because you have ready access to your money when you need it. It's helpful to have an account that's different from your day-to-day chequing account, because you're less likely to spend money that you've put aside into a separate account.

What it's for. When you sign up for Internet banking, you can make manual or automatic transfers into your savings account online. You can also use your savings account as a temporary holding place, before moving funds into a longer-term investment like a GIC or Mutual Fund account where they can earn more interest.

Your options. Usually, savings account options are differentiated by the minimum balance and how much you expect to accumulate. So, figuring out how you will use your savings account can help you determine which type of account is right for you. Savings accounts usually include fewer transactions than chequing accounts, so try not to use it for day-to-day banking needs.

Things to consider when looking for an investment product:

1. Features – what purpose will the product serve?
2. Cost – what fees are associated with the product?
3. Risk – how secure is your money?
4. Growth – how quickly will your money grow?

CHEQUING VS SAVINGS ACCOUNTS

CHEQUING ACCOUNT

Compare the various chequing and savings accounts offered by TD Canada Trust. Review the information provided for each product and answer the questions that follow.

	All-Inclusive Plan	Unlimited Plan	Every Day
Monthly Fee	\$29.95 Waived with \$5,000 minimum monthly balance ²	\$14.95 Waived with \$4,000 minimum monthly balance ²	\$10.95 Waived with \$3,000 minimum monthly balance ²
Transactions per month included ³	Unlimited	Unlimited	25
Approximate value of account features and discounts annually	\$924.50 ²	\$575 ⁴	\$375 ⁵
Credit Card Fee Rebate	Annual Fee rebated ³	\$20 off first year ⁵	
TD Mobile Deposit	✓	✓	✓
Convenient US Banking	✓	✓	✓
TD Music Access Membership	✓	✓	✓
Free access to non-TD ATMs ¹	✓		
Discounted US Banking products and services	✓		
Free Personalized Cheques ¹⁰	✓		
Small Safety Deposit Box ¹¹	✓		
Non-TD ATM Fees ¹	\$0.00	\$2.00	\$2.00
Foreign ATM Fees inside US & Mexico ¹	\$0.00	\$3.00	\$3.00
Foreign ATM Fees outside US & Mexico ¹	\$0.00	\$5.00	\$5.00
Cost per Additional Transaction	\$0.00	\$0.00	\$1.25

What is the purpose of a chequing account?

To use for day to day banking transactions.

Why do you suppose the monthly fees are different for each account?

To help customers save on fees based on their banking/spending habits.

What interest rate is offered on chequing accounts?

Usually no interest

Suppose, on average, you make the following monthly transactions. Which chequing account would be best suited for your spending habits? Assume you maintain a minimum monthly balance of \$800.

5 TD ATM Cash withdrawals
1 Interac ATM withdrawals

20 debit card purchases
2 paycheque deposits

3 bill payments
1 cheque written

(Deposits are not included in transaction fees)

Activity	All-inclusive	Unlimited	Every Day
Monthly Fee	\$29.95	\$14.95	\$10.95
+ 30 Transactions	no charge	no charge	free up to 25 30-25=5 → additional trans. 5 x 1.25 = 6.25
+ 1 Interac Cash Withdrawal	no fee	\$200	\$2.00
TOTAL	\$29.95	\$16.95	\$19.20

Best option →

SAVINGS ACCOUNT

Compare TD Canada Trust Savings Accounts

Rates as of January 2, 2015	TD Every Day Savings Account	TD High Interest Savings Account	TD Youth Account
Key Features			
Earns Daily Interest	Yes	Yes	Yes age < 19 ✗
Interest Rate Cap	N/A	Yes	N/A
Debit Transactions			
FREE Debit transaction/month	1	0	No limit
Fee for additional debits	✗ \$2.00	✗ \$5.00	N/A
Additional Fees			
Interac ABM withdrawal fee	\$1.50	\$1.50	\$1.50
PLUS system fee in US and Mexico	\$3.00	\$3.00	\$3.00
PLUS system fee outside Canada, US & Mexico	\$5.00	\$5.00	\$5.00
Interac Email Money Transfers sent	\$1.50	\$1.50	\$1.50
View Cheque service	\$1.50 per image	\$1.50 per image	\$1.50 per image
Minimum balance to waive debit transaction fees	N/A	\$25,000.00	N/A
Recordkeeping Options			
Paperless / Online Statements	Free	Free	Free
Paper Statements	\$2.00	\$2.00	\$2.00
Interest Rates <i>Interest is calculated daily and paid monthly</i>			
\$0 - \$4999.99	0.25%	0%	0.05%
\$5000 +	0.25%	1.05%	0.15%
Risk - all accounts are insured by the Canadian Deposit Insurance Corporation (CDIC) up to \$100,000			

What is the purpose of a savings account?

To save for future purposes (investments, emergencies, +1)

Is there a monthly fee associated with a savings account?

no monthly fee

Why do you suppose the debit transaction fees are so high?

To discourage people from using the account, spending \$. To encourage SAVINGS ↵

EXAMPLE: What would be the service charge for each of the accounts above if, in one month, you had the following transactions?

2 TD ATM cash withdrawals

3 debit purchases

1 Interac ATM withdrawals

Balance	Everyday Savings	High Interest Savings	Youth Account
6 Transactions	1 free ⇒ 6-1=5 trans. 5 x 2 = \$10	6 x 5 = \$30	All free ⇒ NO FEE
+			
1 Interac Fee	\$1.50	\$1.50	\$1.50
TOTAL	\$11.50	\$31.50	\$1.50