

A DETAILED GUIDE TO
***BANKING FOR
BEGINNERS***

(AND 20 BANKING
TERMS DEFINED)



A Detailed Guide to Banking for Beginners (And 20 Banking Terms Defined)



A Detailed Guide to Banking for Beginners

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Are you opening a bank account for the first time?

Or, maybe, you have had a bank account in the past, but your parents opened it for you. If you intend to open and manage an account as a college student or first-time job holder, it's best that you understand what banking is all about.

You may also want to get a detailed education on the banking terms typically used so you understand how the institution works and how to choose the right kind of account for your needs.

Commonly Used Banking Terminology

What is a Bank?

1. **Bank** - Banks can operate online or they can be housed in a concrete building that you can visit to conduct your transactions like depositing or taking out money. Some banks also allow you to buy and sell securities.
2. **Credit Union** - Credit unions are alternatives to conventional commercial banks and perform the same functions. You can deposit and withdraw funds, and also receive investment services. Credit unions are nonprofit financial institutions, and are run and managed by the members or hired personnel. In contrast, traditional banks work to earn a profit.
3. **Federal Deposit Insurance Corp (FDIC)** - Banks that have FDIC insurance are typically members of the Federal Reserve System. The FDIC is a government organization that insures the funds deposited in state and national banks.
4. **Annual Percentage Yield (APY)** - The APY is the amount of interest you'll earn on the money you have deposited in your bank account each year. It's the amount the bank pays you for keeping funds in their account.
5. **Beneficiary** - If you have deposited funds in a bank account, retirement plan, insurance policy, or trust, you will select a beneficiary or a person who will receive the money on your death as the account holder. You can also choose a beneficiary for your estate in a will.

Using a Bank Account

1. **Deposits** - Deposits is the cash you put into the bank account whether it is a savings or chequing account. There are various ways in which you can make deposits such as:
 1. When someone wires the money into your account
 2. When you use the mobile banking app to scan and deposit a cheque
 3. When you visit the physical bank, fill out the deposit slip, and hand over actual cash at the counter
 4. When your employer transfers your wages into your bank account
 5. When you transfer funds from another account into your own account

2. **Automated Teller Machine (ATM)** - ATMs are automated devices that perform banking transactions. You can deposit cash, withdraw cash, receive information about the balance in your account, and also transfer funds between two accounts. If you want to make payments towards your loans, you can do that through an ATM.
3. **Available Balance** - This figure is the amount that you can use from your account. In case there are any holds or restrictions on the account, the available balance will deduct that amount.
4. **Debit** - When you withdraw funds from your bank account or make a payment, that is considered a debit. In any other situation, if you see a debit entry, it indicates the sum you owe to another person.
5. **Insufficient Funds** - If you don't have adequate funds in your account to pay bills, make cheques, or withdraw funds, that indicates insufficient funds.
6. **Electronic Funds Transfer (EFT)** - When you make banking transactions without actually using cash, that's called EFT. These transactions can include ATM transfers or automatic bill payments.

Banking Facilities

1. **Automatic Bill Payment** - This facility is provided to you through the Automated Clearing House which is an electronic network for cash transactions that works without the need for using cheques. If you want to make automatic payments each month like say, to pay utility bills, you can use this facility.
2. **Bank Statement** - The bank statement is a report of the transactions you have made in a particular time frame, usually a month. It gives you complete details of the deposits, withdrawals, and any automatic payments you made in that time.
3. **Billing Cycle** - This is the time frame between two bank statements that you typically receive once a month.
4. **Overdraft** - One of the facilities that your bank may offer you is to take out more money than you have deposited into your account. You can withdraw these excess funds by making a cheque or automatic bill payments. In that case, your account has an overdraft or is overdrawn.

Understanding Cheques and Debit Cards

1. **Cashier's Cheque** – You can buy a cashier's cheque at your bank by paying the necessary funds towards it. Often recipients prefer to take a cashier's cheque from you because they are assured that it is not likely to bounce.
2. **Canceled Cheque** – A canceled cheque has already been encashed, endorsed, or charged to an account. It cannot be used for further transactions.
3. **Debit Card** – A debit card is issued by your bank against the funds you have in the bank. By using the debit card, you can make use of the money in your account without having to actually visit the bank. You can make payments, withdraw cash at an ATM, or buy goods and services. Every transaction you make is immediately shown in your account.
4. **Foreign Transaction Fees** – Some banks levy a small charge when you use your debit card at another bank's ATM. This is the foreign transaction fee.
5. **Personal Identification Number (PIN)** – A PIN is a three or four-digit code that you use to make transactions with your debit card like at an ATM or making purchases at a store. This PIN is like a secret code that allows only the card holder to use the card. Your bank may either give you the code or you can set one yourself so no other person can access your account.

Choosing a Bank

Given the number of online and brick-and-mortar banks operating today, you may want to keep several factors into consideration when choosing the bank which is right for your needs.

1. When you deposit money in a bank or credit union, you earn an interest on that deposit. This interest rate or rate of return is a percentage of your deposit. In case you buy any certificates of deposit or keep your money for a long while, you'll earn more interest. Look for a bank that offers attractive rates of interest.
2. Choose a bank that offers round the clock customer service.
3. Banks typically levy a small charge for the services they provide to you. Conventional brick-and-mortar banks have more operating costs as compared to online banks so you could opt for no-fee banking.

4. Your bank may require you to maintain a minimum balance or pay a charge for using the ATMs of other banks. You may want to consider a bank that does not levy these charges and pays interest even if you haven't maintained the minimum balance.
5. Choose a bank that is convenient to use. Like, for instance, one that offers online or mobile banking services so you don't need to visit a physical location for your banking needs. Also, look for a bank that has a widespread network of ATMs so you don't have to incur additional fees for using the ATMs of other banks. A good example is Wells Fargo with its 13,000 ATMs.

Choosing the Right Bank Account

Banks have various accounts that you can choose from. For instance, the chequing account is connected to your debit card, ATM, and any automatic payments you want to make. You could also deposit funds in a savings account that may not pay a high rate of interest, but keeps your money safe. In case you have a large number of spare funds, consider investing it in some security that yields a high rate of interest and helps you build wealth in the long run.

Now that you know all the terminologies and how to choose the right bank and bank account, it's time to compare the best offers. There are hundreds of different bank accounts you can get, all with different offers and terms. It's best if you use CompareMyRates to compare all bank accounts at once. It makes the process easier instead of doing everything manually.

Procedures for Opening a Bank Account

Now that you understand how a bank works and having chosen the right bank and account, it's time to learn how to open an account. Here is the information you'll provide:

- Name
- Address
- Birthdate
- Identification issued by the government such as driver's license or passport

If you have chosen an online bank, you'll fill an online application, and send in the necessary documents by mail, email, or fax. However, in case of a physical bank,

you can visit in person, and deposit the application form along with the other documentation as required by the bank.



About the Author

My name is Kalen Bruce, and I am the founder of [MoneyMiniBlog](#). I'm really trying to start a revolution here with all this "mini blog" talk. I think mini blogging will become more popular as our days seem to get busier and our attention spans get shorter. Whether your attention span is short or not, mini blogs are much more convenient to fit into your life than full length blogs.

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I'll show you how to control your finances, create positive habits and get the life you want, through research-backed articles. I keep it short, sweet and simple.

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