



MONEYWISE

VALUING PEOPLE. VALUING MONEY.

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Nichole Huff, Ph.D., CFLE | Assistant Extension Professor Family Finance and Resource Management | nichole.huff@uky.edu

THIS MONTH'S TOPIC: ANYONE CAN BANK

There are many people in Kentucky who do not use banks regularly. An estimated 5.2% of Kentucky households were “unbanked” in 2021. That means no one in the household had a checking or savings account at a bank or credit union.

According to the FDIC, the top two reasons for not having a bank account are not having enough money to meet minimum balance requirements and not trusting banks. Other reasons may include having made banking mistakes in the past or using non-bank services instead, such as PayPal, Venmo, or Cash App. Let's look at a few common barriers that keep people from banking and consider potential benefits.

MINIMUM BALANCE REQUIREMENTS

Not having enough money to meet minimum balance requirements is the most-cited reason for being “unbanked.” This requirement can vary widely by financial institution or account. Checking accounts have minimum balance requirements to ensure there is enough money to cover check, debit, or ATM transactions.

Banks must disclose all account fees up front, so the fees should never be a surprise. Customers can shop around to see which banks or credit unions



have an account that suits their specific financial needs. With the availability of mobile and online banking options, you may even be able to use a bank outside of your town.

TRUSTWORTHINESS

Not trusting banks was the second-most cited reason for not having a bank account, followed by the desire for privacy by avoiding banks. Banks and credit unions provide deposit insurance for your accounts, which protects your money if anything happens to the institution. Also government agencies examine banks and credit unions to ensure safety, soundness, and consumer protection. The Bottom Line: Because banks are insured, a bank is a safer place to stash your cash than under your mattress or in a money jar.



BANK ACCOUNTS ALSO OFFER EFFICIENT WAYS TO PAY BILLS BY WRITING CHECKS OR USING ONLINE OPTIONS



PAST BANKING MISTAKES

Banks use screening systems that provide information about the customer's banking history. If you have been denied an account because of past mistakes, there are steps you can take. Ask the bank employee why you were denied. The Fair Credit Reporting Act requires them to tell you. You can also request a copy of the screening report and dispute anything that is incorrect.

If you have made past financial mistakes, look for an institution that offers a second-chance account or secured account. A second-chance account may have extra limits in place to guide you as you establish your account. A secured account requires a deposit from you in reserve. Basically, you fund your account for a set amount of time to show you are a good customer.

USING NON-BANK SERVICES INSTEAD

People may use non-bank products instead of banks, including services like Venmo, PayPal, Cash App, money orders, payday loans, prepaid cards, and more. Non-bank services may be handy in a pinch but may not be the most secure or the least expensive option to use.

Prepaid cards can have high fees, and, like cash, can be lost or stolen. Money transfer sites offer convenience, but you should not use them to store funds because they do not offer insurance protections like banks or credit unions. Other services like money orders and payday loans can come with steep fees that you could avoid with a bank account.

A bank account offers you the convenience of direct deposit, which may give you access to your funds sooner than depositing a check. Bank accounts also offer efficient ways to pay bills by writing checks or using online options. This can be faster and less expensive than buying money orders. Using a bank or credit union can save you money over other services.

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Written by: Kelly May | Edited by: Nichole Huff and Alyssa Simms | Designed by: Kelli Thompson | Images by: Adobe Stock

Nichole Huff, Ph.D., CFLE | Assistant Extension Professor Family Finance and Resource Management | nichole.huff@uky.edu



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