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The Cost of Sloppy Banking Habits

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8 min read

We identified bad banking habits and their potential cost to consumers: $798.08 per year.

The COVID-19 crisis is making every dollar especially precious. Yet a new study shows that sloppy banking habits cost Americans hundreds of dollars a year.

MoneyRates.com tracks this unfortunate waste with a Sloppy Banking Habits Index. The latest update to this index shows that careless habits can cost a bank customer nearly $800 every year.

The main purpose of drawing attention to this wasted money is to help people recognize that, by making a few simple changes, they could have more money in their bank accounts at the end of the year.

In addition to providing the latest information on the Sloppy Banking Habits Index, this article includes tips about how to avoid throwing money away on your bank.

Compare Savings Accounts

Tens of millions of Americans received a $1,200 check from the federal government to help lighten the economic strain of the coronavirus pandemic.

Unfortunately, many of those same Americans could end up wasting nearly two-thirds of that amount through sloppy financial habits.

MoneyRates measured the cost of four habits that consistently waste money for bank customers:

1. Overpaying for checking accounts
2. Habitually overdrawing checking accounts
3. Using the wrong ATMs
4. Settling for mediocre interest rates

IN THIS ARTICLE

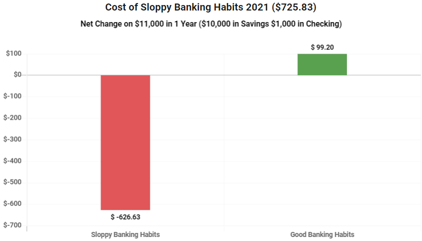
How Much Money Are You Wasting On Your Bank?
Monthly Maintenance Fees: Are You Overpaying for Checking?
What is the Cost of Overdraft Protection?
ATM Fees - Paying to Access Your Money
Short-changing Yourself on Interest
Sloppy Banking Habits Index Methodology

Details on each - and how to avoid these money-wasting decisions - follow in the sections below.

When you add each of these items up, the total annual cost can come to $798.08. That amount is up by more than 21% since the start point of the Sloppy Banking Habits Index in April of 2013.

Your bank deposits should be making you money, not costing you. However, between weak interest rates and excessive fees, many Americans end up paying more money than they earn.

The Sloppy Banking Habits is based on the assumption of a $10,000 savings account balance plus a $1,000 checking account. The chart below shows the net change in those amounts in one year due to sloppy banking habits, and what that change could be if you fix those habits:



Cost of Sloppy Banking Habits 2021 ($725.83)

Net Change on $11,000 in 1 Year ($10,000 in Savings $1,000 in Checking)

Monthly Maintenance Fee: Are You Overpaying for Checking?

Monthly maintenance fees are charged by most checking accounts. You pay these fees month-in and month-out regardless of how you use the account.

The most recent MoneyRates.com Checking Account Fee Survey found that the average monthly maintenance fee is $14.13. Over the course of 12 months, the average fee would cost you $169.56 per year.

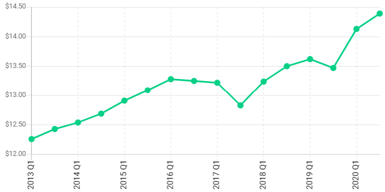
What is the Average Monthly Maintenance Fee?

Find & Compare Rates Now

Select Rate Type:
● Savings Rates
○ CD Rates
○ Personal Loan Rates NEW
○ Money Market Rates

Amount of money to invest
$ 100000

Compare Rates



How to avoid monthly maintenance fee

The $169.56 annual expense of typical checking account maintenance fees can be easily avoided. While most checking accounts charge these fees, there are plenty of accounts that do not.

MoneyRates.com found that nearly two-thirds of all checking accounts charge monthly maintenance fees. That means just over a third do not charge these fees, so there are options.

In particular, a good place to look if you want a checking account with no monthly maintenance fee is an online account.

While less than 30% of traditional, branch-based checking accounts are free of monthly maintenance fees, 68% of online checking accounts do not charge these fees. So, banking online more than doubles your chance of avoiding monthly maintenance fees.

Best of all, avoiding monthly maintenance fees is not a change in habits that requires continual effort. Just make a one-time change in your account and this could save you money for years to come.

Compare Checking Account Offers

Checking Account Rates: Compare and Apply

Advertiser Disclosure

	Sign Up Bonus	Monthly Fee	APY*		Min Opening Balance	Out-of-Network ATM Withdraw Fee	Overdraft/NSF Fees	24/7 Customer Support	Out-of-Network ATM Fee Reimbursement	Advertiser Comments	Rates as of
Simple	$0	$0	0.60%	Apply	$0	$0	$0	No	No	ⓘ	11/11/2020
Chime	$0	$0	0.00%	Apply	$0	$2.5	$0	Yes	No	ⓘ	11/11/2020

Rates / Annual Percentage Yield terms above are current as of the date indicated. These quotes are from banks, credit unions and thrifts, some of which have paid for a link to their website. Bank, thrift and credit unions are member FDIC or NCUA. Contact the bank for the terms and conditions that may apply to you. Rates are subject to change without notice and may not be the same at all branches.

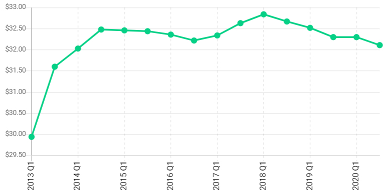
What is the Cost of Overdraft Protection?

The latest Checking Account Fee survey found that the average overdraft fee was $32.30.

That's hefty enough, but it's easy to rack up multiple overdraft charges all at once. If you have several transactions on a day when your account is overdrafted, you may be charged an overdraft fee for each one of those transactions.

It's not unusual for people who habitually overdraft their accounts to incur ten overdraft fees per year. Multiplied by the average overdraft fee, this would represent an annual cost of $323.

What is the Average Overdraft Fee?



How to avoid overdraft fee

There are multiple things you can do to avoid overdraft fees:

1. **Opt out of overdraft protection**
   When you sign up for a checking account, you do not have to choose overdraft protection. Banks try to talk customers into it because they like to get the fees, but you do not have to accept it.

   If you already have overdraft protection on your account, you have the right to opt out of it too.

   Not having overdraft protection may cause you some initial inconvenience; but before long, you can adopt better habits. You'll certainly get used to having the extra money you save in your account.

2. **Keep an extra cushion of cash in your account**
   With interest rates so low, you won't miss out on much interest if you move a little extra money from savings to checking to guard against overdrafts. The fees you save could easily exceed the interest you would have earned on that money.
3. **Use online tools to keep closer track of your balance**
   Online banking can help you monitor transactions and balances more closely so you'll know how much you can afford to spend. This is especially helpful to avoid getting blindsided by things like automatic bill payments or bank fees coming out of your account.

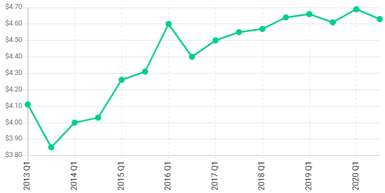
ATM Fees - Paying to Access Your Money

Most banks don't charge anything when you use an ATM that they operate or one that's part of a network to which they belong.

Use an out-of-network ATM, however, and chances are you will pay twice: One fee goes to your bank and one goes to the operator of the ATM.

In the most recent Checking Account Fee survey, the average total of these two fees was $4.69. That may not sound like much; but based on typical ATM usage, MoneyRates.com calculated that this could add up to $154.02 a year if you habitually use out-of-network machines.

What is the Average ATM Fee?



How to avoid ATM charges

Avoiding ATM charges is all about the network.

When you choose a bank, pick one with an extensive ATM network. In particular, choose a bank whose ATM network includes machines that are convenient to places you regularly travel.

If you have to use an ATM you don't regularly use, be mindful of whether it is part of your bank's network. Try especially to avoid using ATMs in places that cater to tourists such as airports and hotels. These often have the highest fees.

A few banks even have a policy of reimbursing ATM fees no matter whose machine you use. This can give you maximum flexibility as long as that policy remains in place.

Which Banks Have the Most Convenient ATMs?

Short-changing Yourself on Interest

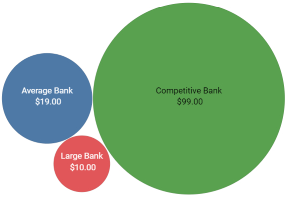
There is a huge gap between the average savings account interest rate and the best rates available.

For example, in the first quarter of 2020, MoneyRates.com found that the average savings account rate was just 0.376%. For the same period, the top rate available was 1.891%.

This is a difference in rates of 1.51%. On a $10,000 savings account, this gap would result in a difference of $151.50 in interest earned over the course of a year.

How Much A Competitive Interest Rate Earns

(Annual Interest Earned on a $10,000 Savings Account)



How to earn more interest on savings

The large gap between leading savings account rates and the average makes it well worth shopping for a better rate.

This is not something you should have to do frequently. Even as rates move up and down, the same banks tend to stay near the front of the pack from year to year.

Online savings accounts are the best place to look if you want a higher interest rate. In the first quarter of 2020, the average online savings account rate was more than 16 times the average rate from traditional, branch-based accounts. During that quarter, the top 19 savings account rates were all from online accounts.

MoneyRates.com maintains a regularly updated table of current savings account rates. This makes it easy to find the best rates and contact a bank about starting an account.

🔗 **Start Earning More Interest**