

Tool 8: Choosing the Right Financial Products and Services

Financial products help people manage their resources more effectively. To determine what product(s) might suit you, consider:

- **What are your financial needs,** and what products and services address them?

Need	Possible Products and Services
Store funds for emergencies or short-term goals	Basic savings account Online savings account Certificate of Deposit (CD) Matched savings or individual development account
Track income and expenses and budget accordingly	Checking account Debit card Direct deposit Online banking Online personal financial management tool Prepaid debit card
Make it convenient and safe to pay bills	Checking account Auto-bill pay Money orders
Have adequate protection from loss or theft	FDIC or NCUA insurance

- **What are your personal circumstances?**
 - Do you have part-time employment or a side business?
 - Do you receive SSI income?
 - Are you on a fixed income?
 - Do you receive income from multiple sources?
 - Is English your second language?
 - Do you have limited financial resources to spend or save?
 - Do you have a need for special services, such as money orders, check cashing, or financial counseling?
 - Do you have physical limitations?
 - Do you have past financial problems?
 - Do you distrust financial institutions?
 - Do you have limited or no internet access?

Your answers could indicate particular needs. For example, if you have limited financial resources and want to open a checking account, you'll need one with low minimum balance requirements. If you have family in another country, you might need access to low-cost international remittances. For information about sending money to another country, see <http://www.consumerfinance.gov/sending-money/>.

Direct deposit is the fastest and safest way to receive payments into a bank account. For clients who are struggling to manage their daily finances, a prepaid debit card might be a good option because it allows them to purchase only up to the spending limit.

On the other hand, prepaid cards normally have higher fees than traditional checking accounts. There are many types of prepaid debit and credit cards, including:

- Federal government issued cards such as **Direct Express** (Social Security, SSI, Veterans Benefits)
- Electronic benefit transfer (**EBT**) cards issued by states (SNAP/Food Stamps, TANF)
- **Commercial** prepaid debit cards (AARP Green Dot, American Express Bluebird)
- **Gift cards** (retail stores)

Type	Direct Express	EBT	Commercial	Gift card
Fees	No sign up or monthly account fees	Fees for cash withdrawals	Widely ranging fees	No fee
Usage	Anywhere that accepts MasterCard	For eligible food purchases	Anywhere that accepts network logo	At the designated retail store
Adding	Cannot add own money	Cannot add own money	Reloadable with own money	Cannot add more money

If you are considering a prepaid debit card, see Consumer Reports' ratings of prepaid debit cards <http://www.consumerreports.org/cro/prepaid-cards/buying-guide.htm>.

Lacking a checking account and/or a prepaid debit card could be costly. On a typical 26-paycheck pay schedule on a \$50,000 salary, at a three percent check-cashing rate, you're looking at paying approximately \$1,500 a year in fees!

- **What are the costs and benefits** of the different options that meet your needs?
- Once you select a product type, **comparison shop** among at least three different choices of the product type. When comparison shopping, consider:
 - What are the fees?
 - What are the requirements?
 - How convenient is it?
 - How accessible are the funds?