

Banking 101

Understand the basics of banking and employ your new skillset to choose what types of accounts and services best suit your needs.

Accounts



Checking Accounts

Accounts designed for everyday transactions such as deposits, withdrawals, and payments. They generally come with debit cards, check-writing privileges, and online banking tools.



Savings Accounts

Accounts designed for storing money while earning interest over time. They are not intended for daily transactions, but rather long-term saving goals or emergency funds.



Specialty Accounts

Accounts which cater to specific needs such as student accounts, money market accounts (MMAs), certificates of deposit (CDs), individual retirement accounts (IRAs), 401(k)s & more.

Services



Credit Monitoring

Keeping an eye on your credit is crucial. Some banks offer complimentary credit monitoring and identity theft protection services with certain accounts to help you maintain good credit health.



Digital Banking

Manage your finances anywhere with online or mobile banking. The handy features to explore are endless, and include mobile deposit, bill pay, transfers, & alerts.



Loans

Banks offer loans for things like starting a small business, buying a new home or vehicle, helping with college expenses, and everything in between. Don't be afraid to chat with your banker for help.

Understanding Credit



Credit Score: A person's credit score is one of the factors that lenders consider when they extend a line of credit or loan (e.g., auto loans, mortgage loans or personal loans). Lenders often use the number to determine rates, terms, and risk. FICO and Vantagescore are the most widely used credit scores and range between 300 and 850. From a lender's perspective, a higher score equates to lower risk, which often translates to more favorable credit terms and better rates. The following factors account for a consumer's credit score:



Payment history – Shows whether or not you pay your bills on time. A single late payment will be included and can negatively affect your score.



Credit utilization rate – Measures how much credit you use in relation to your credit limits. For instance, if you have two credit cards with a combined limit of 10,000, and a combined balance of 4,000, your credit utilization ratio is 40%. The lower the ratio, the better your credit score.



Length of credit history – Having credit for longer has a positive impact on your credit score.



Type of credit – Accessing different types of credit—such as mortgage loans, credit cards and student loans—indicates how well you manage your credit. A more diversified pool of credit is better for your score.



New credit – Opening a number of new accounts in a short period of time has a negative effect on your credit score. Lenders examine how often you apply for credit and look at the number of “hard inquiries” on your account. When you access your own credit report, it does not impact your score.



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Improving Your Credit Score

The first step to improving your credit score is reviewing your credit report. You can obtain a free copy of your report once a year at AnnualCreditReport.com or by calling 1(877)322-8228. Your credit report includes the following information:

Credit history – The number and types of credit opened both active and closed accounts), age of your accounts, your account balances and payment history.

Credit inquiries – How often you have applied for credit. These “hard inquiries” will show up on your credit report for up to two years.

Collections – Unpaid or overdue debts, such as foreclosures, bankruptcies, or liens.

Once you access your report, determine if there are any errors. If you find any mistakes, you have a right to dispute the information, and can do so by contacting the three credit reporting bureaus: Equifax, Experian, TransUnion.

Payments – Even if you cannot pay off a loan immediately, always ensure that you make on-time minimum payments. Consider automatic payments or calendar reminders to make payments on time. Note that paying off a collection account will not automatically remove it from your credit report. It will remain for seven years, so it's important not to reach that point.

Keeping low balances – Your credit utilization is an important factor in calculating your score. Lenders prefer seeing rates below 30%, so do not max out your credit cards.

Applying for new credit only as needed – Too many hard inquiries that result from applying for new credit will lower your score.

Maintaining your accounts – Don't close your credit card accounts even when you stop using them. If you do, you may hurt your credit score by unintentionally raising your credit utilization ratio. Consider the following scenario where you have two cards with a balance of \$3,000 and a combined credit limit of \$10,000.

Example:

Credit Card A – balance of \$3,000 and credit limit of \$6,000

Credit Card B – zero balance and \$4,000 credit limit

When you maintain both cards, you have a credit utilization ratio of 30% ($\$0 + \$3,000 / (\$6,000 + \$4,000)$). If you close the account with \$4,000, your credit utilization ratio increases to 50% ($\$3,000 / \$6,000$).



Monthly Budget

Directions: Divide annual income and expenses by 12 to get a monthly figure. Some expenses (like utilities) will vary through the year, so use a monthly average. Pro tip: Round up your expenses to allow more flexibility.

INCOME

Take Home Pay \$ _____
 Allowance \$ _____
 Gifts \$ _____
 Part-time Jobs and Chores \$ _____
 Other Sources \$ _____
TOTAL \$ _____

HOUSEHOLD

Rent/Mortgage (25-30% of income) \$ _____
 Utilities (electric, gas, trash, water) \$ _____
 Cable/Satellite TV \$ _____
 Internet \$ _____
 Cell Phone \$ _____
 Other Household Expenses \$ _____
TOTAL \$ _____

TRANSPORTATION (15% of income)

Car Payment \$ _____
 Insurance \$ _____
 Gasoline \$ _____
 Maintenance and Repairs \$ _____
 Public Transportation \$ _____
TOTAL \$ _____

FOOD (15% of income)

Groceries \$ _____
 Eating Out \$ _____
TOTAL \$ _____

ENTERTAINMENT (5-10% of income)

Games/Concerts \$ _____
 Dates/Trips \$ _____
 Movies/Music/Downloads \$ _____
 Movies in the theater \$ _____
 Hobbies \$ _____
TOTAL \$ _____

LOOKING GOOD (5% of income)

Clothes and Shoes \$ _____
 Toiletries \$ _____
 Hair Cut \$ _____
 Other Looking Good Expenses \$ _____
TOTAL \$ _____

MISCELLANEOUS

Credit Card \$ _____
 Savings/Investments (10% of income) \$ _____
 Education (tuition, books, fees) \$ _____
 Gifts and Charity \$ _____
 Pets \$ _____
TOTAL \$ _____

GRAND TOTAL

TOTAL ALL INCOME \$ _____

Subtract -

TOTAL ALL EXPENSES \$ _____

BOTTOM LINE \$ _____



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We want to hear from you!

Let us know how our Lunch & Learn on Financial Education was for you!

How satisfied were you with today's workshop?

- Not satisfied
- Satisfied
- Very satisfied

Would you attend another workshop like this in the future?

- Yes
- No

If you could receive more information about any of the topics discussed, which topic(s) would you choose?

- Accounts
- Credit
- Budgeting
- Home Ownership
- Information presented was sufficient

Are there other financial topics you would like to see covered in the future?

What did you most enjoy about today's lunch and learn?

Would you like to receive emails from Guaranty Bank about future events and information? If yes, please provide your email address:
