

What is online banking? Although it may seem like the answer is obvious, as in, you do your banking over the Internet, it's not that straightforward. Yes online banking is similar to regular banking in that you are performing many of the same types of actions that you might do in a bank branch, or over the phone. The ability to access your account with a computer or a phone, however, has opened up all sorts of new services that didn't exist before. Let's look at some of the things that you can and can't do with online banking to see how important a service it might be to you when you open an account.

# Advantages of Online Banking

## Convenience

Accessible 24 hours a day

Can access using computer or increasingly a cell phone

Use to check account balances, transfer money, pay bills, and research loan options

No waiting in line

## Bill Pay Services

Can pay all bills online

Can pay bills automatically

No postage costs or time wasted at post office

## Record Keeping

No paper statements – easy to file and store statements

View past statements and spending habits

There are several advantages of online banking. Here are some of them.

## Disadvantages of Online Banking

Impersonal – computer can't offer advice like employees

Can take longer to build a relationship with bank

You have to learn how to use the bank's online resources

Website changes from time to time

Increase in risk for fraud

Concerns about privacy

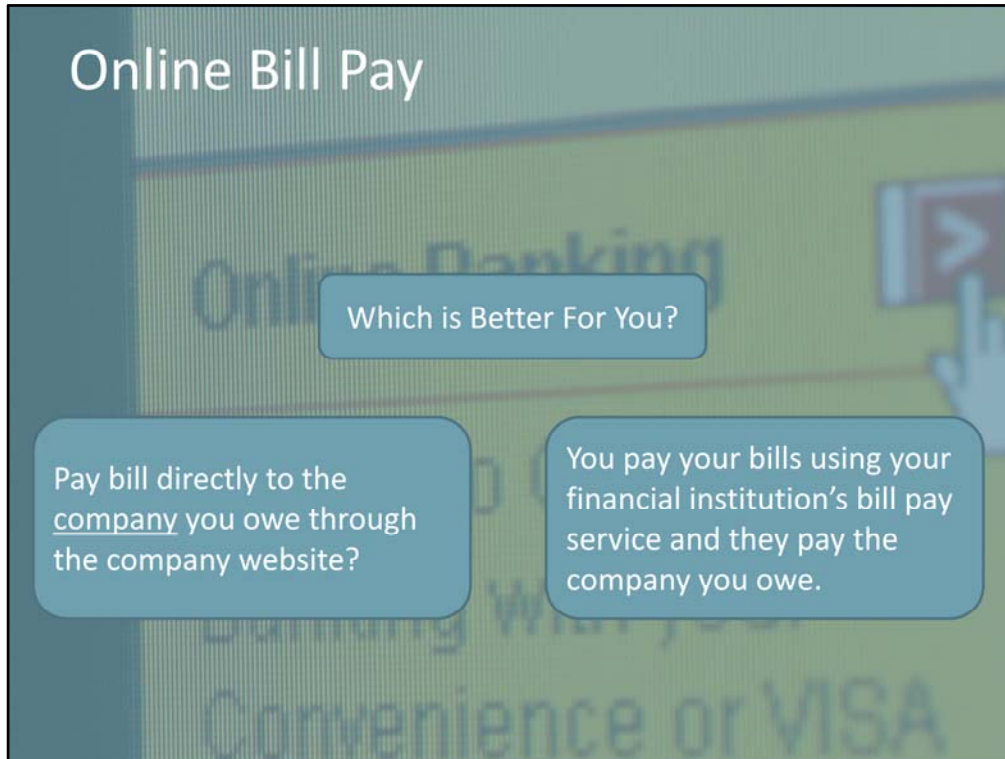
Can't access if you have computer/Internet problems

As with almost anything in life, there are disadvantages. Online banking is no different. Though it may seem simple and efficient, there are some things you'll want to consider before you do all of your banking online.

## What Can I Do With My Account Online?

- Manage bills and apply for credit
- Transfer funds
- Pay bills
- Access past account information for previous months/years
- View statements
- Compare interest rates and fees
- Find out if a check has cleared

Here is a list of some of the transactions you can perform online. Note that these vary by bank and new services are added all the time.



One of the greatest features of online banking is bill payment. By paying bills online, you can send money directly from your account to a business. Let's look at the two most common ways that people pay bills online: directly through the company's website, or indirectly through their bank's online bill pay service. Each has its advantages.

## Online Bill Pay (Bank Website)

### Advantages

Pay all of your bills from one website

Easily track all of your payments

Can set up automatic bill payment for some businesses that charge you the same amount every month

Can pay businesses that don't have an online bill payment service

### Disadvantages

Setting up account for each business you pay and making sure the information is accurate

Updating the information if anything changes (e.g. account numbers, addresses)

Making sure that payment dates are accurate and bills are sent out on time

Paying potential fees associated for the bill payment service

First, you can pay all your bills online through your bank account. This means that you do not have to go to each company's website, log in, and pay the bill through their system. Here are some advantages and disadvantages of this method.

## Online Bill Pay (Service Provider Website)

### Advantages

Because the business withdraws the money on the due date, there's no chance you won't pay the correct amount on time, unless you have insufficient funds to cover the bill

No possibility that the changes for the business or your account won't be reflected in your payments

### Disadvantages

Setting up accounts and passwords at every business

Can't see all the bills you are paying making it difficult to track payment dates and amounts.

Makes reconciling your bank account more difficult and increases possibility that there won't be sufficient funds to pay a bill.

Not all businesses have an automatic bill payment method

You can also pay all of your bills through each business' website. As always, there are advantages and disadvantages to this method.

## Ensuring Recurring Payments

### Recurring payment

Bills are arranged to be paid on the due date or a previous date set by the consumer

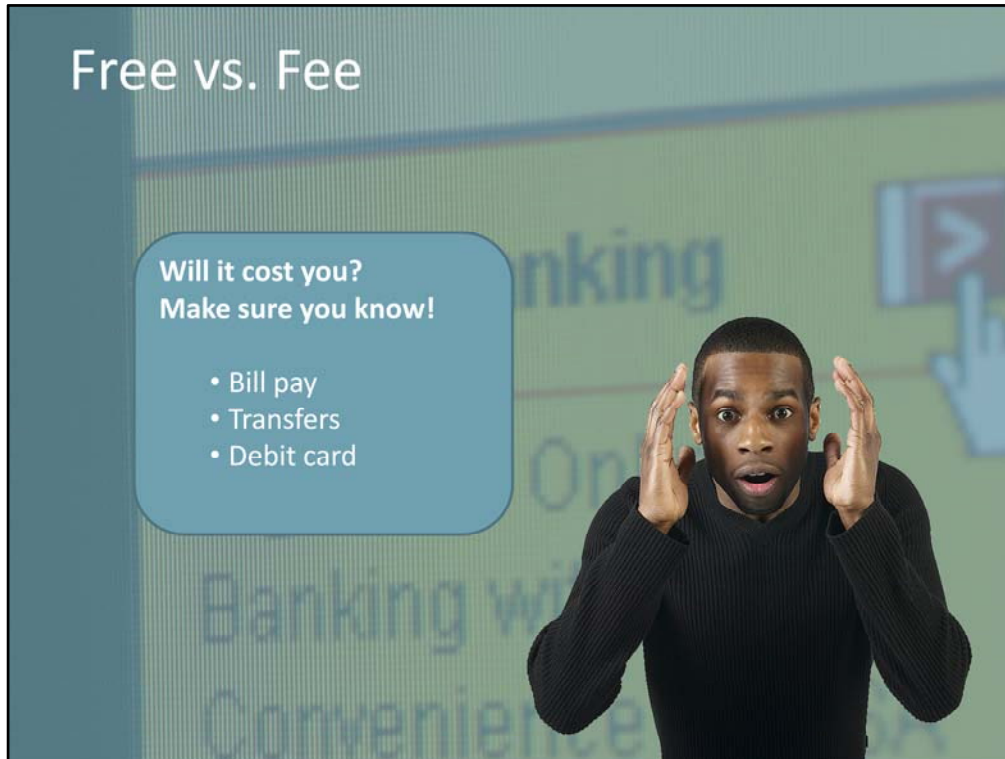
Payment happens automatically electronically

Why might you set up recurring payments?

- Saves money on postage
- Saves time
- Ensure your bills are paid on time

No matter which method you choose, you can set up bills so that they are automatically paid when they are due. This can help make sure that you pay your bills on time. This method doesn't work for bills where you carry a balance like a credit card. You also have to make sure you stop payment for these services once you stop using them, or else you may be billed for services that you don't use.





## Free vs. Fee

Will it cost you?  
Make sure you know!

- Bill pay
- Transfers
- Debit card

Though online banking is easy and convenient, you don't want it to end up costing you more than it's worth. Check with your financial institution to find out which online services are free and which ones have fees. Your online banking may be free of charge, but you may have to pay for transferring funds, using debit cards, or paying bills. Also, remember that you could still pay hefty fees for using your ATM card at other bank locations or using your debit card at certain stores.

The last thing you want to do is think you're saving money by using a service, only to find out that you paid more for the service than what you bought.