

Online Checking Accounts Offer Break from Rising Fees



A checking account is a necessity for most households, but it is getting more expensive to have one as fees advance an upward trend. Still, there are ways to rein in rising checking account fees - if you pay attention to where and how you bank.

MoneyRates.com aims to help consumers by conducting the semi-annual Checking Account Fee Survey, which studies three categories of checking account fees:

- **Monthly maintenance fees**
- **Overdraft fees**
- **ATM fees**

Of these three fee categories, monthly maintenance fees are generally the most important, both because they are so high and because they are charged month after month regardless of how you use the account.

Unfortunately, monthly maintenance fees have risen again over the past six months, continuing a trend that has been in place for a couple years. With the average monthly fee now totaling \$162.96 on an annual basis, this expense could take a major bite out of some customers' balances and potentially drive them away from the banking system.

Meanwhile, ATM fees also rose slightly -- and while overdraft fees declined a bit, they remain a very large potential expense for people who are in the habit of overdrafting their checking accounts regularly.

Where can you find relief from these fees? The sections below explain a few ways to make checking accounts much more cost-effective by becoming aware of trends in the banking industry and offering suggestions for how to avoid or minimize those fees.

Online checking accounts – substantial savings in all fee categories

A major cost gap exists between online checking accounts and traditional, branch-based accounts now -- and that gap continues to grow. If you haven't yet tried online banking, there is a good chance you could be on the wrong side of this gap.

As noted below, in each of the three major fee categories, the average online checking account has a cheaper fee than the average branch-based account. Besides those differences in average fees, perhaps the most significant difference is in how online accounts can help you avoid some fees altogether.

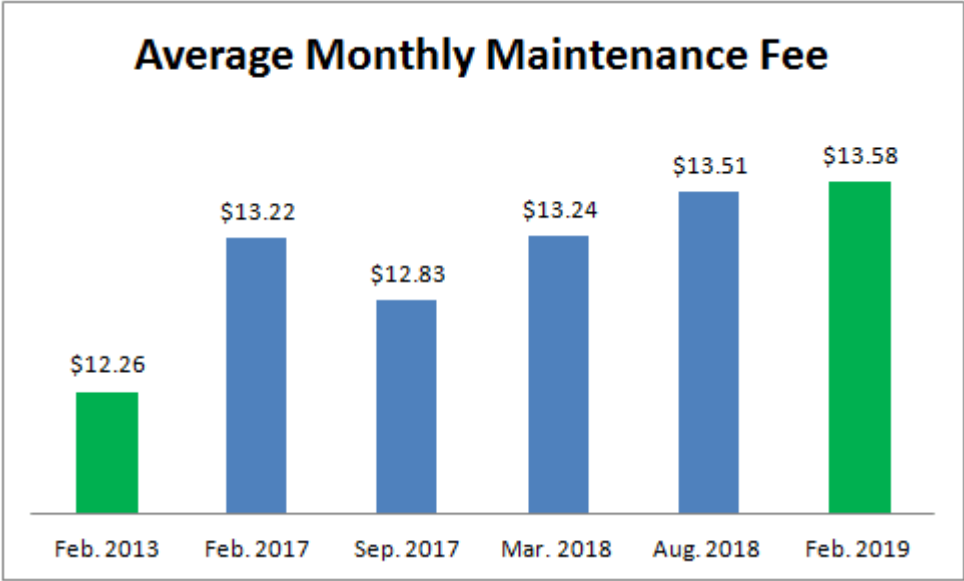
One way online checking accounts help you save money is by increasing the number of banking choices available to you. No matter what banks happen to have physical locations near you, online banks offer additional options for finding cheaper checking accounts.

For long-time bank customers in particular, giving up banking at a local branch can be a big adjustment. However, as banks continue to close branches and reduce the services available in the remaining locations, branch banking isn't what it used to be anyway. If online banking can save you money and save having to travel to a bank branch, isn't it time to give it a try?

Trends in monthly maintenance fees

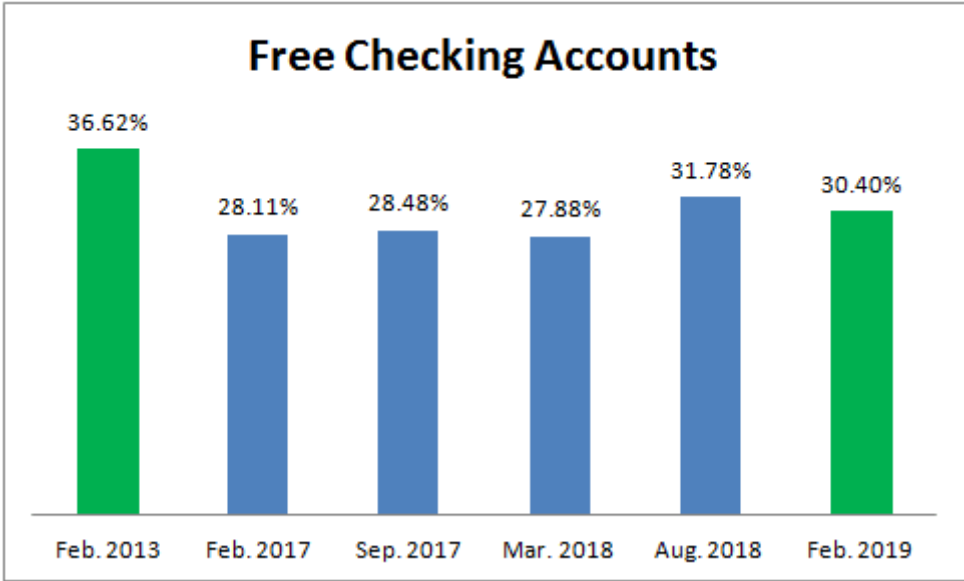
Monthly maintenance fees are charged just for having an account. Because they are charged month after month, they can really add up over the course of a year. That expense is growing because monthly maintenance fees are rising and because more and more banks are charging them.

The latest MoneyRates.com Checking Account Fee Survey found that the average monthly maintenance fee is now \$13.58, up from \$13.51 just six months ago. That means that these fees will now cost you an average of \$162.96 per year.



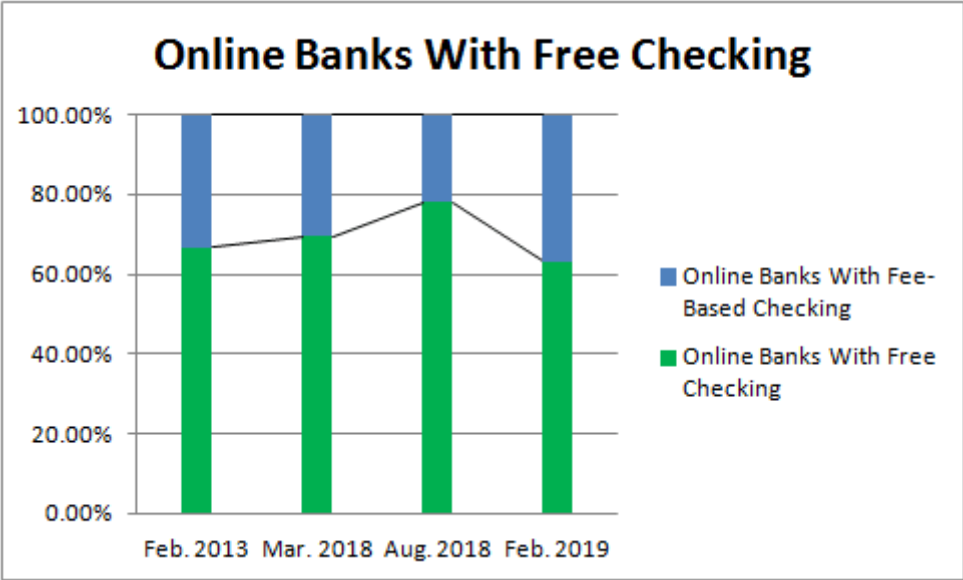
SURVEY YEAR	Feb 2013	Feb 2017	Sep 2017	Mar 2018	Aug 2018	Feb 2019
Average Monthly Maintenance Fee	\$12.26	\$13.22	\$12.83	\$13.24	\$13.51	\$13.58

In addition, the number of banks charging these fees is on the rise. Only 30.40 percent of checking accounts still offer free checking, down from 31.78 percent six months ago.



SURVEY YEAR	Feb 2013	Feb 2017	Sep 2017	Mar 2018	Aug 2018	Feb 2019
Free Checking Accounts	36.62%	28.11%	28.48%	27.88%	31.78%	30.40%

Online checking accounts provide substantial relief from these rising maintenance fees. First of all, the majority of online accounts still offer free checking. Fully 63.27 percent of online checking accounts have no monthly maintenance fee, compared to just 25 percent of branched-based accounts.



SURVEY YEAR	Feb 2013	Mar 2018	Aug 2018	Feb 2019
Online Banks With Free Checking	66.67%	69.57%	78.13%	63.27%
Online Banks With Fee-Based Checking	33%	30.40%	21.87%	36.73%

Among accounts that charge maintenance fees, they are generally lower for online accounts at an average of \$9.16 per month, compared to \$13.93 for branch-based accounts. That difference alone would save you \$57.24 a year.

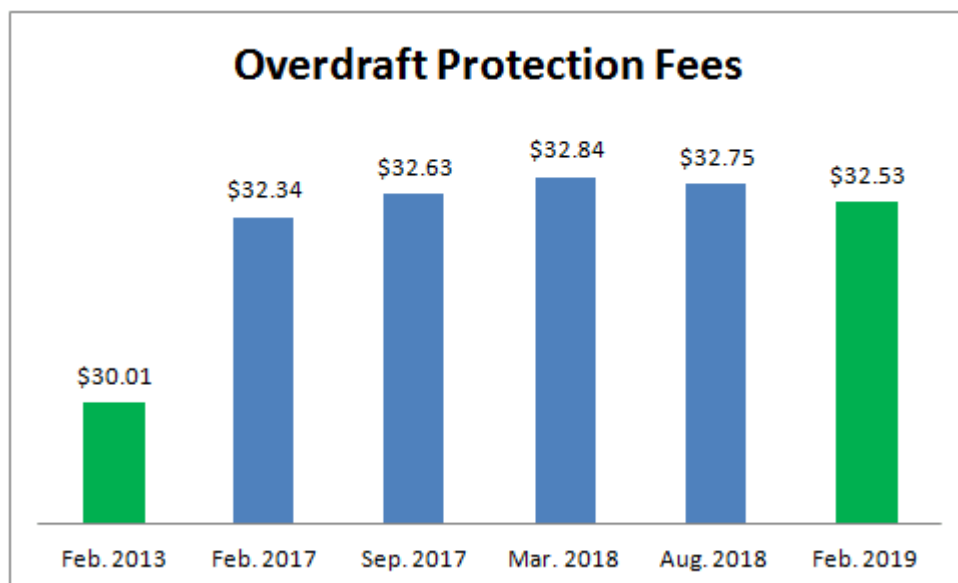
Another way to avoid monthly maintenance fees is to maintain a large enough balance to qualify for a fee waiver and, here again, online accounts make it easier to save money. On average, online checking accounts require a balance of \$1,218.18 to qualify for a waiver of monthly fees. That's less than one-tenth of the \$13,301.60 it takes to qualify for a fee waiver from a branch-based account on average.

Trends in overdraft fees

The rare, good news on bank fees comes in the area of overdraft fees, which have been trending slightly downward. The most recent survey found the average overdraft fee to be \$32.53, down by 22 cents since the last semi-annual survey. This is the second consecutive survey that has seen a decline in overdraft fees.

Overdraft fees are generally lower for online checking accounts too, at an average of \$27.41 per occurrence compared to \$33.29 for branch-based accounts.

Still, while overdraft fees are down slightly and you can often lower them even further by choosing an online bank, they remain a very expensive type of fee, especially if you experience multiple overdrafts throughout the year. It is better to opt out of overdraft protection altogether and maintain tight control of your checking account balance.

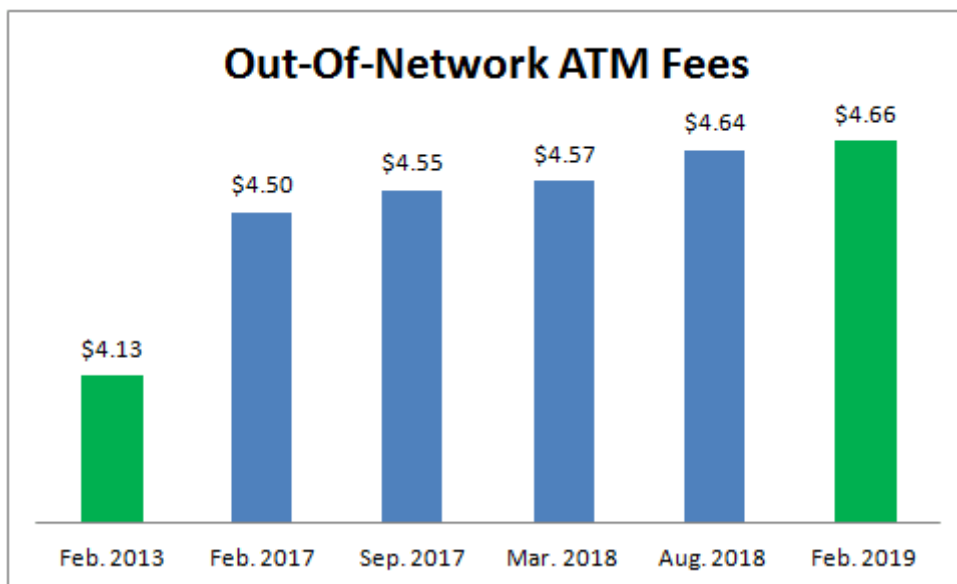


SURVEY YEAR	Feb 2013	Feb 2017	Sep 2017	Mar 2018	Aug 2018	Feb 2019
Overdraft Protection Fees	\$30.01	\$32.34	\$32.63	\$32.84	\$32.75	\$32.53

Trends in ATM fees

ATM fees come in two forms - a fee the ATM owner charges non-customers for using the ATM and a fee banks charge their own customers if they use a machine that is out of their network.

The average banks charge non-customers for using their machines was unchanged at \$2.90 per transaction. The average that banks charge their customers for using out-of-network machines was up by 2 cents to \$1.76.



SURVEY YEAR	Feb 2013	Feb 2017	Sep 2017	Mar 2018	Aug 2018	Feb 2019
Out-Of-Network ATM Fees	\$4.13	\$4.50	\$4.55	\$4.57	\$4.64	\$4.66

Because they generally have fewer locations, online banks tend to give their customers a huge break on fees for using out-of-network machines, charging an average of just \$0.11 per transaction. Some also reimburse the fees charged by other ATM owners or participate in extensive networks to give their customers convenient options for using ATMs without charge.

Although individual ATM fees may seem relatively small, they can add up quickly if you use an ATM frequently. Therefore, the location of a bank's ATM network should be a key consideration when choosing a checking account, so you can make free use of the machines as often as possible.

Online banking and other thrifty banking choices can help you avoid the trend of rising bank fees. After all, the money in your checking account is there to help you pay the bills and occasionally enjoy your hard-earned pay. If too much of your money is going to

pay for just having a checking account, then you'll have less left over for the more important things in life.