

Our articles, research studies, tools, and reviews maintain strict [editorial integrity](#); however, we may be compensated when you click on or are approved for offers from our partners.

The Cost of Sloppy Banking Habits Tops \$800 Per Year

[Richard Barrington](#) | MoneyRates.com Senior Financial Analyst, CFA

Last updated: November 6, 2019 [Banking, Checking](#)
9 min read

We identified bad banking habits and their potential cost to consumers: \$830.64 per year.



Do you like paying your bank?

Silly question. Who likes paying money to a bank? And yet a new MoneyRates study found that some Americans are paying hundreds of dollars a year to their banks - money those people could keep for themselves.

The reason? Sloppy banking habits.

The study found that between paying unnecessary fees and settling for mediocre savings account interest rates, sloppy banking habits could cost you dearly - \$830.64 a year, based on one common set of habits.

If you want to take back that money rather than hand it over to your bank, this article explains how these costs happen and how you can get rid of them.

The Cost of Sloppy Banking Habits Index

MoneyRates.com developed an index to track the cost of sloppy banking habits based on the following factors:

- Excessive monthly maintenance fees on checking accounts
- Costly overdrafts
- Unnecessary ATM fees
- Negligible savings account rates

MoneyRates has been tracking this data since early 2013; but the cost of sloppy banking habits is now rising at an alarming rate.

Overall, since the April, 2013 start point for this index, the cost of sloppy banking has risen by 26.5%, more than twice the general rate of inflation (which was 10.6% for that same time period).

This steep cost increase is due to rising bank fees across the board and average savings account rates lagging further and further behind the best [savings account rates](#).

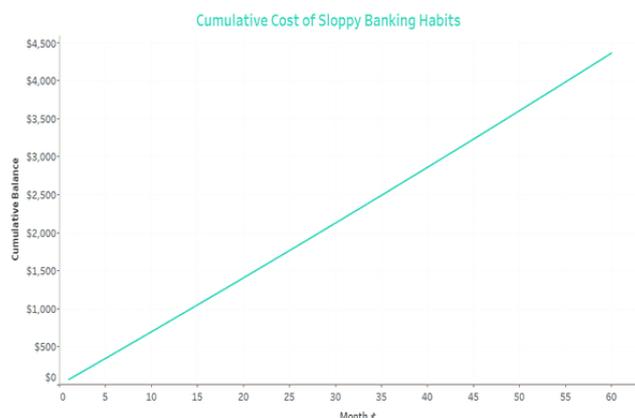
The problem isn't just the fact that \$830.64 is too much to pay per year for banking. It's that all of this expense could easily be avoided.

The High Cost of Sloppy Banking Habits

The type of banking habits that millions of Americans routinely follow can cost a meaningful sum of money over time. Essentially, people are paying for the convenience of not managing their money.

When you look at what \$830.64 could amount to in five years, though, the real cost of sloppy banking habits becomes strikingly clear.

In 60 months, the amount people spend on fees and forego in interest could amount to something as much as \$4,362.15 according to our calculations



Here's how that breaks down, and how to avoid each of these expenses.

All figures are as of October, 2019.

Overpaying for Checking

Average monthly maintenance fee: \$13.47

Estimated annual cost: \$161.64

A monthly maintenance fee is charged to your account month in and month out regardless of how you use the account. An expense of \$13.47 might seem harmless enough, but multiply that by 12 months and it adds up to a total of \$161.64 per year.

That's enough to take a serious bite out of the average person's checking account balance - but it's not necessary to pay this fee. You can find a cheaper maintenance fee than the average; and with a little effort, you can completely eliminate the expense.

How to avoid monthly maintenance fees

While most checking accounts charge monthly maintenance fees, a significant number do not. Roughly a third of all checking accounts do not have monthly maintenance fees.

Even though that means checking accounts with no monthly fees are in the minority, with over 5,000 FDIC-insured institutions out there, you still have plenty of options.

[Online checking accounts](#), in particular, are a good place to look for an account without a monthly maintenance fee. In fact, online checking accounts are more than twice as likely as traditional, branch-based accounts to have no monthly fee.

Plus, these accounts are generally available no matter where you live in the U.S., so you can have access to free checking even if your local choices are limited.

Another way to avoid monthly maintenance fees is to qualify for a fee waiver. Many banks will waive the monthly fee if you maintain a certain minimum balance. Others will give you a fee waiver if you set up the account for direct deposit.

Relying on Overdraft Protection

Average overdraft fee: \$32.30

Estimated annual cost: \$323.00

Overdraft protection sounds like it would be a helpful benefit, until you consider what it actually costs. At an average of \$32.30, an overdraft fee can easily exceed the cost of the purchase that caused the overdraft. Worse, if you have multiple transactions while your balance is overdrawn, the bank may assess this fee several times over.

Not everybody overdrafts their checking account; but those who do, tend to do so habitually. A few years ago, a study by the Consumer Financial Protection Bureau (CFPB) found that a relatively small number of heavy overdrafters paid the vast majority of all overdraft fees, increasing the burden on those customers who have this habit.

The CFPB defined a "heavy overdrafter" as someone with ten or more overdraft transactions in the span of a year. Taking a cue from the CFPB, MoneyRates used ten overdraft transactions to estimate the annual cost of overdraft fees to someone who is in the habit of overdrafting their account. That's what led to the sizable annual figure of \$323.

How to avoid overdraft fees

If you keep close track of your checking account transactions and regularly compare your records against your bank statement or online account, you can easily avoid overdraft fees. A key to doing this is knowing the billing cycle for any automatic bill payments you've set up, so you will account for these as they occur.

If you can't develop good bookkeeping habits, consider a more drastic step. By law, bank customers have the right to opt out of overdraft protection, and you should consider doing so.

Opting out of overdraft protection may mean that some transactions would be denied and, therefore, those checks would bounce. This could cause you some embarrassment and incur other types of fees, but it is unlikely to be as expensive as regular overdraft charges.

ATM Fees - Paying to Access Your Money

Average ATM charge: \$4.61

Estimated annual cost: \$151.40

The estimated annual cost is based on a CFPB figure for the number of ATM transactions the average household has in a month. Extrapolating that household figure to an individual account holder and projecting it over the course of a full year yielded an estimate of 32.84 ATM transactions per year for the average customer.

That may sound like a lot, but it is less than one per week. So if you regularly use an ATM as a source of cash, you could easily meet or exceed this figure.

The problem isn't really how often you use an ATM, but which ATM you use. If you use a machine that is not part of your bank's network, you are likely to incur two fees: one from the owner of the ATM and one from your own bank.

How to avoid ATM charges

Knowing how extensive your bank's ATM network is and how well its locations overlap your regular travels should be key to choosing a bank. In other words, your checking account should be with a bank whose ATM locations are convenient enough so that you rarely, if ever, have to use an out-of-network machine.

Note that your bank does not have to be a huge national institution in order to be part of an extensive ATM network. Some banks participate in networks that allow you to use a variety of ATMs besides those owned by the bank.

Making an effort to use only ATMs within your bank's network can help you avoid ATM fees. Also, this may become less of an issue as people increasingly use electronic payments as an alternative to cash.

Short-changing Yourself on Interest

Average cost of settling for mediocre savings account rates: 1.946%

Estimated unrealized interest on a \$10,000 balance: \$194.60

The most recent MoneyRates [America's Best Rates survey](#) found that the top savings account offered a rate of 2.385% over the second quarter in 2019. At the same time the average savings account rate was just 0.439%.

If you settle for an average rate, that means you would earn 1.946% less on your savings account than you could be earning. On a \$10,000 balance, this would cost you \$194.60 per year.

How to earn more interest on your savings

It's simple: shop around. There are several high-interest savings accounts that pay considerably more than the average.

The nice thing is that the banks with the [best savings rates](#) consistently stay near the top - so shopping for a competitive rate does not mean continually having to change banks.

As with checking accounts, online savings accounts are a good place to look for a better deal. The America's Best Rates survey found that, on average, online savings accounts offer rates that are nearly 18 times what traditional, branch-based banks typically offer.

Compare Online Savings Accounts from Other Banks

Bank/Institution	APY	Min. to earn APY	Type: Savings
 Marcus BY GOLDMAN SACHS® <small>Goldman Sachs Bank USA Member FDIC</small> Advertiser Comments	1.90% Rates as of 11/6/2019	\$0	Start Saving FDIC Insured
 Capital One Advertiser Comments	1.90% Rates as of 11/6/2019	\$0	Start Saving FDIC Insured
 Barclays Advertiser Comments	1.90% Rates as of 11/6/2019	\$0	Start Saving FDIC Insured

Change and Get Paid: \$4,362.15 in 5 Years

Why do some people lose so much money to sloppy banking habits?

Yes, some of it comes down to being careless about keeping track of one's bank balance or using the wrong ATMs, but a good chunk of the cost comes down to being with the wrong bank.

A handful of the largest banks in the U.S. have an out-sized portion of customer deposits. These same huge banks often offer customers the worst deals - the highest checking account fees and the lowest savings account rates. That means that an overly large proportion of American bank customers are losing money to sloppy banking habits.

No one enjoys the process of changing banks, but the reason MoneyRates highlights the cost of sloppy banking habits is to show what you have to gain by making a change.

Of course, your situation may be quite different than the average person with sloppy banking habits.

Perhaps when you add up the extra money you could have in your account at the end of the year by switching to the right bank and tightening up your banking habits, it might be a smaller sum than the average person with sloppy banking habits. Then again, it might be larger. Whatever that number is, making these changes can put you ahead.

Consider the possibility of not paying your bank \$830.64 not just for one year, but year after year. Over a five-year period those savings plus the interest you could earn on them could total \$4,362.15.

Clearly, fixing your sloppy banking habits can have a huge payoff, and it's not really that hard to do.

You might also like



[Best IRA CD Rates](#)



[Can You Get a Debit Card on a Savings Account?](#)



[Next Week's Fed Meeting: Is Another Rate Cut Coming?](#)