7 Ways the Coronavirus Could Change How You Bank

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The coronavirus outbreak is forcing people to reinvent how they work, shop and do business.

Some of these changes may stick around long after COVID-19 has been conquered.

Banking habits are a good example. There are aspects of how people have been doing their banking for years that just don't make sense in today's world.

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7 Ways Coronavirus Could Change Banking Habits

Even though certain practices cost money, people tend to stick to old habits until they are forced to change. However, once the coronavirus outbreak forces some of these old banking habits to change, consumers might be reluctant to change back.

Here are eight ways the coronavirus might cause a permanent shift in how people do their banking.

1. In-person banking may stop

For the time being, there's a health incentive to avoid going to the local branch to conduct financial business.

As people find alternative ways to access money and make transactions without visiting a branch, they may embrace the convenience of digital banking to an even greater degree.

Once people stop going to branches due to the coronavirus, they may question whether they ever need to go back.

2. Branch closures may prompt you to change banks

According to data from the FDIC, the total number of bank branches in the United States has been declining since 2012. So far, though, this decline has been at a slow pace. The number of branches declined by just over 1% a year since 2012.

But restrictions on staffing and public contact due to the coronavirus are forcing some banks to close some branches temporarily.

In certain situations, those temporary measures could turn into permanent closures.

Why?

It's because branches are very expensive to operate and, at the same time, technology is making them less necessary. That's why the number of branches has been dropping. However, now that the coronavirus outbreak has forced some closures, banks will think long and hard about which branches are cost-effective enough to reopen.

Why would you change banks?

Many people sign up with a local bank as young adults and never think about making a change. This is unfortunate because there are huge differences in the interest rates offered and fees charged by various banks.

A change could earn you more money on your savings account and save you fees on your checking account. If your local branch is no longer available because more people are staying home, that's a great trigger to take a fresh look at choosing a bank.

3. Fed rate cuts could move you to bank online

The Federal Reserve cut interest rates due to the economic consequences of the coronavirus, and many banks are following suit.

This means that, at a time when people need every dollar they can get their hands on, you may well be earning less interest on your savings. However, online bank accounts generally offer clearly higher rates than branch-based accounts.

According to the most recent MoneyRates America's Best Rates survey, online savings accounts pay an average of 19 times as much interest as branch-based accounts.

The opportunity to find a higher rate even when rates are generally falling might be just the incentive some people need to finally try online banking.

4. Shopping for rates may be a high-stakes game

Stock market volatility has sent many investors running for safety. That means money is being pulled out of investment accounts in favor of safe alternatives like savings accounts.

If you've moved more money into your savings account, it's all the more important to shop for a competitive interest rate.

After all, when you only have a few hundred dollars in savings, a higher interest rate doesn't make much of a difference in real dollar terms. However, when your balance is several thousands of dollars, a difference in rates translates into a meaningful amount of money.

5. Low interest rates require more vigilance about fees

People put money in a savings account expecting to earn a little interest on it. In some cases, though, having a savings account may actually be costing them money.

Some savings accounts charge a monthly service fee. As interest rates move lower, there's a greater chance that the fee will exceed the interest earned.

That would mean it costs you money to have that savings account.

There are many savings accounts on the market that don't charge monthly fees and, with interest rates moving lower, it's even more important to find a savings account without these fees. That way your savings can be earning rather than costing you money.

6. Emergency funds may become a necessity

Advice to have some savings set aside for the unexpected can easily fall on deaf ears. People generally expect emergencies to happen to someone else.

Now, though, the economic impact of the coronavirus outbreak is forcing a wide portion of the population to face sharply reduced incomes.

Just as the generation that went through the Great Depression in the 1930s tended to be financially cautious for the rest of their lives, the aftermath of this economic setback could have a lasting impact on Americans.

One of your first priorities after you get your career back on track should be to build up an emergency fund. No one should ever again have to explain why that's important.

>> Consequences of Not Having an Emergency Fund

7. Electronic payments rise as 'Dirty Money' takes on a whole new meaning

There are conflicting reports about whether the coronavirus is spread via paper money. In any case, with people shunning face-to-face contact, there are fewer chances to use paper money.

The world had already been transitioning to electronic payments rather than cash anyway. Social distancing may speed up that trend.

This may have the biggest impact on older consumers who are usually the last to change their habits. Since they are also most vulnerable to COVID-19, they now have a strong reason to abandon cash in favor of a debit card, credit card, or other ways to pay for things.

Could Coronavirus Change When You Retire Too?

How is your 401(k) looking these days? Probably not as good as it looked at the end of 2019.

If you're young, this shouldn't be a big deal. You have plenty of time for your investments to recover.

Older investors, though, may have to rethink their planned retirement date. This would allow retirement investments more time to recover from the current market downturn.

The main thing is to know what you're dealing with. Now is a good time to rerun retirement calculations to see where you stand.

>> **Retirement Savings Calculator**

There is no upside to the coronavirus. But holding on to old banking habits as COVID-19 restructures economic activity doesn't make sense. Adapting quickly to economic changes, on the other hand, can help you protect your assets and prepare for other financial setbacks down the road.

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Bank/Institution	APY*	Min. to earn APY	
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Personal Savings — American Express National Bank Advertiser Comments	1.60% Rates as of 4/9/2020	$1	Type: Savings Start Saving FDIC Insured
SIMPLE — Simple Bank Advertiser Comments	1.55% Rates as of 4/9/2020	$0	Type: Savings Start Saving FDIC Insured

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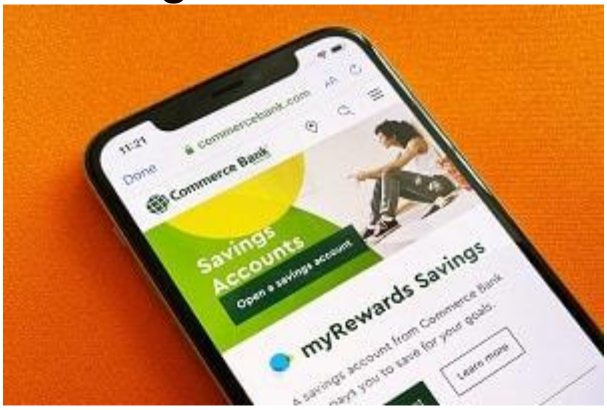

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