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Building financial independence

Financial independence starts with knowing where to keep money and how to access it. This guide will cover important banking basics, such as checking and savings accounts, debit and credit cards, and the steps you can take to protect your finances.

The benefits of checking and savings accounts

There are two types of bank accounts generally used to manage money: checking accounts and savings accounts. A **checking account** can be used to easily and immediately access money. A **savings account** is where you can save money for the future.

Checking	Savings
May have monthly maintenance fees	Does not typically charge a fee
Allows you to pay by writing checks or using a debit card	Limited access to avoid impulse buys
Debit cards are used to take funds directly from this account	Money may be moved into checking accounts to make more frequent withdrawals
May be used to easily pay bills online	Pays you interest on the money you keep there

Key terms you should know

Interest rate: A measure of how much a lender charges for a loan. A higher interest rate means a higher cost to use a credit card.

Credit score: A number that represents your history of borrowing and repaying money. Lenders use it to determine if you qualify for something like a credit card, loan or rental.

Different types of bank cards

Pre-paid, debit, credit and secured credit cards may look similar, but their features and uses are different. When considering which card is best—and how to use it responsibly—keep the following checklist in mind.

Pre-paid cards

- Anybody can qualify for a pre-paid card
- Some cards allow you to add more money at any time
- This card is not linked to any bank account
- May have restrictions on use outside the U.S. or on certain online purchases
- Pre-paid cards do not help to build your credit history

Credit cards

- When you use this type of card, the credit card company pays up front and you repay them over time
- You pay interest—a cost paid to borrow money—for any money that has not been repaid
- The limit on the card is how much you can borrow, based on your credit history
- Paying on time gradually boosts your credit score

Debit cards

- When you use this type of card, the money comes directly out of your checking account
- Only the money you have in your bank account can be spent
- Using this type of card will not help—or harm—your credit score

Secured credit cards

- You apply for a secured card, similar to a traditional credit card
- Unlike a traditional credit card, you pay a cash deposit upfront to guarantee the credit line
- These cards can be used just like credit cards in stores—or online—to make purchases
- By using this card properly, your credit score should improve over time

Tips for protecting accounts and cards

- You can use a bank's mobile app to track spending and set alerts
- Your PIN and password should be unique and not shared with anyone
- If a card is lost or stolen, notify your bank or credit card company immediately