

Savings vs. Checking Accounts: Which One Should You Use?

Savings accounts and checking accounts have different uses, so it's worth knowing which is right for you.



(Image credit: Future)

When it comes to daily spending, you might be wondering whether a savings account or a checking account should be used for your spending and money saving needs. You might be surprised to learn that both have several pros and cons.

Savings Accounts vs. Checking

The main difference between the two is that savings accounts are used for growing and saving your money. Checking accounts are used for everyday expenses.

Saving accounts are better for storing your money. In most saving accounts your money accrues interest but at the same time limiting how much money you can take out. The only way to access money in most cases is either from ATMs or online transfers.

Checking accounts are better for spending your money. These are typically used for everyday spending when shopping, buying gas, and paying your bills without a withdrawal limit. These accounts are designed to give you access to your money using checks, debit cards, and digital

payment platforms like Apple Pay. Checking accounts sometimes but generally doesn't allow for you to earn interest.

Compare Savings and Checking Accounts		
Feature	Savings Accounts	Checking Accounts
Primary Use	Saving, unexpected expenses	Daily spending
Interest Rates	Sometimes, but minimal	Yes
Fees	Monthly maintenance, withdrawal limit, and minimum balance fees	Monthly maintenance, out-of-network, and overdraft fees (depending on the bank)
Minimum Balance	Varies	A few banks
Limit Transfers	Typically six each cycle	None

Saving Account Factors to Consider

The value of high APYs (annual percentage yield). Basically, the higher the APY a bank offers the more money you can earn. According to the Federal Deposit Insurance Corporation (FDIC), the national average APY is 0.21%. Being able to find a great bank that offers a high APY allows you to grow your savings with minimal effort. Savings APYs have been rising, however, and some banks now offer rates above 3% if you're willing to shop around.

Fees. Always be wary of these. Try to find an account that has no monthly maintenance fees. Some allow for easy ways to waive them.

Balance requirements. Many high APY accounts require a higher balance than most. You'll have to maintain the required balance every month. If you fail to maintain the amount you might have to pay a fee. Choose an account with a balance that you know you'll be able to keep.

Checking Account Factors to Consider

No monthly maintenance fees. You won't have a balance to keep when opening a checking account. No matter how much money you have in your account, no fees will be charged based on that.

New account bonuses. Some banks offer a cash bonus when you open a new checking account. According to Nerdwallet, these cash offers could top \$400.

Access to ATMs. Unlike saving accounts, when using checking you won't have to pay anything to use an atm in your bank's network.

Overdraft fees. If you spend more money than you have in your account, you'll have a negative balance. Because of this, banks will charge you an overdraft fee, but several banks are starting to not charge these. In some cases, a bank will cover the negative charges to a certain amount.

Which Is Best for You?

Saving and checking accounts both serve different purposes. Before deciding, look at each bank's fees, charges, rules, and if they offer a bonus. Pick from what you want to prioritize. Many people use both; a checking account for everyday expenses and a savings account for unexpected expenses and savings. Only you know what you need from both accounts. Good luck!

NYSUT NOTE: Starting small can lead to big savings when it comes to savings accounts, and the NYSUT Member Benefits Corporation-endorsed Synchrony Bank Savings Program makes it easy to get started. This program offers online savings accounts with competitive interest rates and 24/7 online and mobile banking. And NYSUT members qualify for special rates. For more information and to get started, [visit the website](#).

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