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5 important financial lessons for students

By Bank of Utica
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Rome wasn't built in a day and financial know-how can't be achieved overnight, but learning a few key personal finance lessons early on can be a great way for students to set themselves up for success. Here are five short-and-sweet financial lessons for students.

Savings accounts vs. checking accounts

Banks are a great way to keep your money safe and secure, and knowing how to best use different types of accounts will ensure you're getting the most from them. The two common accounts most banks offer are [savings](#) and [checking](#) accounts.

[Savings accounts](#), like the name implies, are meant for saving money. They offer interest on money you keep in your account, which means your money will grow over time. The money in a [savings account](#) is not meant for everyday use and most require that people keep a minimum balance in the account.

[Checking accounts](#) hold money you plan to spend in the short term and offer checks and debit cards to make spending easy. They don't generally offer interest, but also don't generally limit the number of transactions you're allowed to make.

If you have both types of accounts, it's best to keep more money in savings so you are earning interest and to only keep money in checking that you know you're going to be spending.

Interest rates

[Interest rates](#) are important whether you want to save money or spend money.

If you're looking to save money, the [interest rate](#), called the annual percentage yield, is basically the amount of money you can earn on your savings. The higher the APY of your account, the more money you'll earn. The more money you keep in your account, the more you can potentially earn over time.

On the flipside of APY is the annual percentage rate, which is the percentage you will have to pay for money you borrow. Credit cards and [loans](#) are great ways to pay for big purchases you might not have all of the money you need for at the time, but will charge you interest on any money you borrow and do not immediately pay back.

For saving money, you should look for an account that offers a high APY, because you will earn more money on savings.

For spending money, you should look for [loans](#) and credit cards that have low APRs, because you will pay less on the money you borrow.

Debit cards vs. credit cards

[Debit cards](#) and credit cards may look the same, but the way they work is pretty different.

[Debit cards](#) are issued by banks and linked to checking accounts. Charges made using a debit card are automatically withdrawn from the account. If you use a [debit card](#) and don't have enough money in your account, you'll likely be charged a fee for being overdrawn.

There are a variety of services offered by banks to help account holders avoid overdrawing their checking accounts, including overdraft protection, which can automatically transfer money into a checking account from a linked savings account, and [check credit accounts](#), which are lines of personal credit that are linked to checking accounts and can be automatically drawn from if an account holder makes a purchase or withdrawal that would overdraw their checking account.

Credit cards are separate accounts that have a preset spending limit. Any money you spend from the account must be paid back at the end of the billing cycle and interest is charged for any money you spend and don't pay back in full. The credit limit and interest rate are decided based on a number of factors. Interest charged on credit cards is accrued every month, so it's good to pay back as much of the money you use every month as possible.

Credit scores

Your credit score is a number that tells lenders how much money they should feel comfortable letting you borrow and how much interest they should charge you to borrow money. The higher your credit score, the more money you'll be able to borrow and the lower amount of interest you'll be charged to borrow it.

There are many factors that go into your credit score, including the amount of money you've borrowed in the past, the ways you've borrowed it and how good you've been at paying it back.

Things that can negatively affect your credit score include not your paying bills on time and having a high percentage of debt to your overall credit amount.

Because your credit score can fluctuate over time, it's important to start establishing a good credit history early so that by the time you're trying to borrow a large amount of money to pay for a big purchase like a car or a house, your score will be as high as possible.

Budgeting

Knowing how much money you have, how much money you can spend and setting early goals about how much money you want to save are three important elements of establishing a personal budget.

While your monthly expenses are low, setting aside a higher amount of money for savings can help you pay for large future purchases more quickly.

As your monthly expenses increase, having an established savings account can make up for the fact that you might not be able to devote as high of a percentage of your income to savings.

[Online banking tools](#) are a convenient way to keep up with your bank accounts on the go, and some banks even offer [mobile banking](#) smartphone apps that allow users the same functionality of online banking from their phones. With online and mobile banking, users can track transactions, transfer money between accounts and quickly pay bills.

Bank of Utica's low- and no-fee accounts, online account management tools and convenience services like fraud protection make it a great place for customers of all ages.

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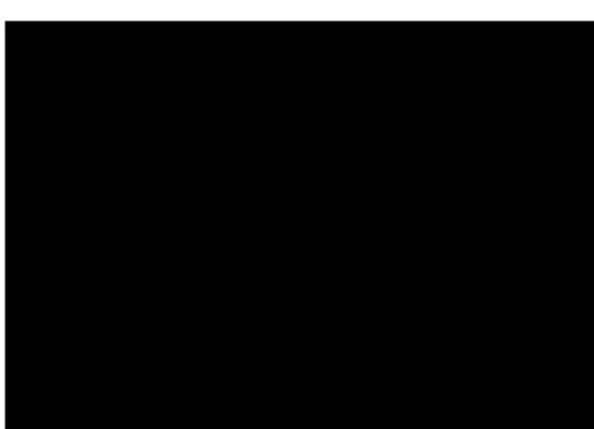
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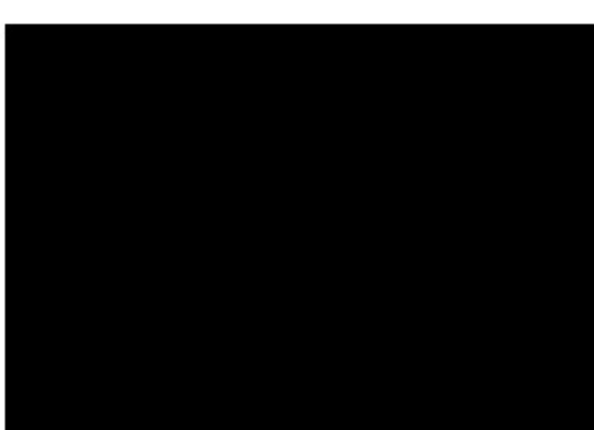
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