

Types of Financial Institutions

INSTITUTION	DESCRIPTION
Commercial Bank	Commercial banks are regulated by state or federal charter. Federally chartered banks are members of the Federal Reserve system or the Federal Deposit Insurance Corporation (FDIC), which insures deposits up to \$250,000. Banks can loan money and offer checking and savings accounts, money market accounts, certificates of deposit and other services.
Credit Unions	Credit unions are non-profit organizations that are generally accessible to people of a single group or occupation, such as teachers. Because they don't pay federal income taxes, they can often offer higher interest rates on savings and lower interest rates on loans. Credit unions are insured by the NCUA (National Credit Union Administration).

What about just putting all our money in the brokerage account? Doesn't that eliminate one potential hassle?

Perhaps. Perhaps not. There are good pros and cons to your question. Just keep in mind that the club is going to need its money for more than investing. Even if it's just sending out for pizzas or buying pencils, you may find that having all your available funds in a brokerage, especially one that doesn't have a local office or ATM, may limit your immediate access to cash.

What about online banking?

If you open an account at the bank on the corner that also offers online services, you've got the best of both worlds: full electronic banking along with the personal service and immediate access to cash money.

Many large national banks offer online banking with a range of ancillary services. It is convenient, secure and efficient. Once again, though—and maybe this is an inconsequential issue to you—you may want to investigate how it compares with your local bank for getting that pizza money when you need it.

There are lots of people who swear by electronic transacting and enjoy telling the rest of us to stop thinking of banking as Jimmy Stewart in *“It’s a Wonderful Life.”* Maybe so.

At any rate, you’ve got a lot to consider, even for a seemingly small matter like opening up a business account with its primary purpose as a funnel to deposit lots of individual checks and kick out one club check each month.

Here are a few considerations in addition to those already mentioned:

☑ **Fees.** They’re all over the place. You want to avoid monthly service charges, maintenance fees, check writing fees, whatever fees. Ask and compare. It’s a buyer’s market.

☑ **Minimum Balance.** The lowest minimum is the best. How much money you leave parked there should be your call, not their requirement. Think about where your money could be making more money.

☑ **Interest.** It’s a small matter these days, but a few percent could add up. Interest-bearing checking accounts for businesses may not be an option. Look into money market accounts or CDs if you plan to have balances that you can leave in there to obtain the higher rates.

☑ **Personal Service.** If one of the club members has a long-standing relationship at a local institution, it may waive certain requirements to get your business and be a good neighbor. If a member already belongs to a credit union, perhaps the club can be “grandfathered” in, bypassing restrictions. Note that the member who belongs may be required to co-sign any club checks.