



وعي مالي شخصي  
Personal Financial Literacy

Lesson 3

# Banking and Savings

[www.dirhami.ae](http://www.dirhami.ae)



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## Banking and Savings

Here is a summary of the key points of banking and savings. Selecting the right bank for you depends upon your personal situation. You should research various banks and compare their services, fees, and programs. Often banks summarize these services on their website.

Money in a bank account is safer:

A bank is one of the safest places to stash your cash. Some countries, such as the United States, even provide federal insurance against losses on certain deposit accounts. While deposits in UAE banks are not insured by the government, the UAE government has intervened when depositor's funds were at risk.

You pay for the convenience of a bank account.

Banks pay lower rates on interest-bearing accounts than brokerages and mutual fund companies that offer check-writing privileges. What's more, bank fees can be high – account costs can easily add up to AED 1,000 a year or more unless you keep a minimum required balance on deposit.

Inflation can eat what you earn from a bank.

Even at a low rate of inflation, the annual creep in the cost of goods and services usually outpaces what banks pay in interest-bearing accounts.

Not all interest rates are created equal.

Banks frequently use different methods to calculate interest. To compare how much money you'll earn from various accounts in a year, ask for each account's "annual percentage yield." Banks typically quote both interest rates and APYs, but only APYs are calculated the same way everywhere.

You can get better rates.

Many UAE banks offer specific savings programs that offer higher rates. The catch: you have to maintain a higher deposit amount and you must lock up your money for a longer time period, often three months to five years or more. If interest rates fall before the CD expires, the bank is out of luck and must give you the rate it quoted. If rates climb, you're stuck with the lower rate.

Also with rising interest rates, money market accounts can become an attractive option, too. They pay more than banking accounts and you don't have to lock up your money for a specific amount of time.

ATM fees can take a significant bite out of your budget.

The convenience of using automated teller machines is an increasingly pricey one. On average, the fee your bank charges you to use another institution's ATM may be significant, so always try to use your bank's ATM.

Getting the best deal takes work.

You won't get a great deal on a car if you just walk into a dealer and plunk your money down. Likewise, you won't get a great banking deal unless you comparison-shop and ask about price breaks. For example, a bank might offer free checking if you are a shareholder or if you direct deposit your paycheck.

Use the Internet to shop for bank services.

**You can use the Internet to compare fees, yields, and minimum deposit requirements throughout the UAE. There is not one website that provides comparisons but a good place to start your research is the UAE Central Bank website, <http://www.centralbank.ae>.**

Banking online can make bill-paying easier:

**Electronic bill-paying can save you the monthly hassle of paying your bills. And if you couple online banking with a personal-finance management program, such as Quicken or Microsoft Money, you'll be able to link your banking with your budgeting and financial planning as well. But be careful. Some vendors only warn the consumer of price hikes in the fine print of a bill.**

