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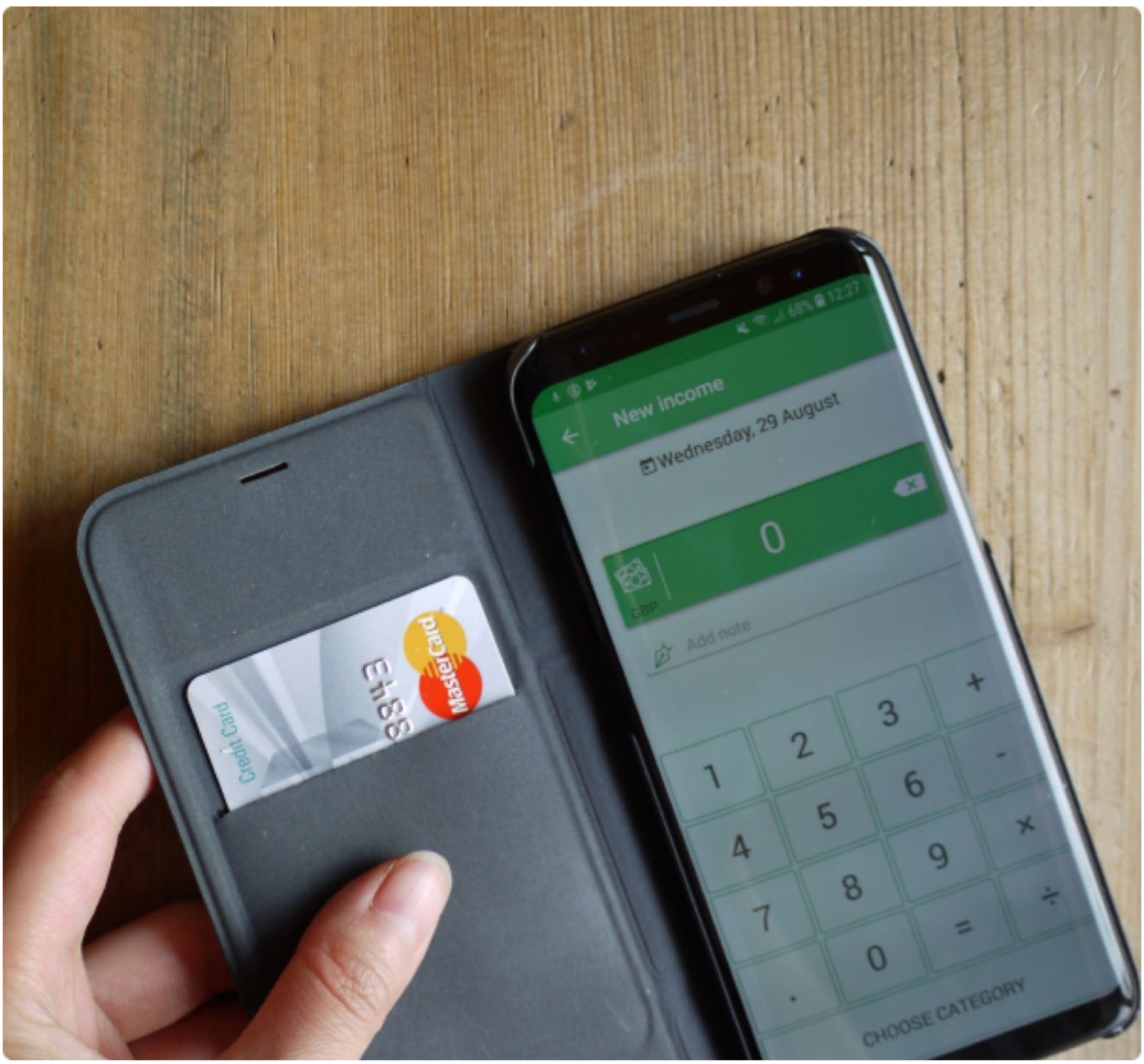
How to Switch a Bank Without a Hassle



Intro

Chances are you've wanted to switch banks before.

Maybe you were charged a large fee for an out-of-network ATM. Maybe you had a problem with your account and customer service was difficult to deal with.

Or maybe you've been disappointed by practically nonexistent interest rates on your savings account. We've all been there.

Choosing the right bank seems as easy as walking to your closest branch.

But in reality, choosing the right bank is more about understanding which bank is going to best serve your individual needs.

That said, once it comes time to make the switch, it might not even seem worth the hassle.

Sure, that other bank has no ATM fees and speedy customer service and high-interest rates, but is that worth the trouble of opening a new account and switching all of your financial data over?

Thanks to online banks, now it is.

A Quick Bank Switch Checklist

Step 1

- [ ] Open a new bank account with the bank of your choice

- [ ] Take note of your new bank account’s routing account number and checking account number.

Step 2

- [ ] Transfer transactions to your new account and stop using your old account

(Transactions include direct deposits, automatic online bill payments, and recurring transfers or payments. You can easily transfer payments that are automatically deducted from your old account by contacting your service providers and giving them your new account number or debit card number. Keep your old account open until all transactions have been fully moved over to your new account.)

Step 3

- [ ] Close your old account

- [ ] Make sure to get a written statement that your account has been closed - it will help if any future issues arise with this account.

- [ ] Transfer or withdraw any remaining funds - you can do so by withdrawing in cash or requesting a cashier’s check.

The Steps to Switch Banks in Detail

1.Open an account with a new bank

Time required: 10 minutes

We trust that you've already done the homework to find a better bank, so this is the push you need to move your money. Once you've found a better bank that fits your financial habits, go ahead and open an account.

> **Important:** do not close your existing bank account yet -- you'll understand why after reading nest step.

2. Shift your payments, transfers, and deposits

Time required: 30-45 minutes

Here's the part that requires most of your attention.

You do not want to cause a great disturbance in how your money flows between your accounts, billers, and income sources.

This is a scenario that you don't want to happen:

Your electricity bill is paid automatically through your checking account. If you had closed your existing checking account without providing another checking account to pay the bill, you could face late payment fees (or even risk losing electricity).

To prevent such a predicament, track how your existing bank account is connected to other financial accounts.

Look through the past 12 months of account statements and think about these questions:

- Do I get paid through this account?
- What bills are paid with this account?
- Are there any automatic transfers on this account?

Identify these transactions and write them down so that you don't miss any of them.

Also, know your new account's number and bank routing number.

Tip: Tip: To find your new bank account number and bank routing number, refer to the numbers at the bottom of your paper checks. The bank will also send you this information in the mail. Remember, you can also get this information by calling the bank or visiting a branch.

If you use an online bill pay service, record the payee profile information (i.e., billing addresses and account numbers) for each biller.

You can just re-enter the information with your new account -- no need to go searching for this information again.

Many banks will offer downloadable documents called “switch kits,” which help you organize your information as you prepare to switch to that bank.

Once your switch kit is prepared, proceed with these steps:

If you get paid to this account

Provide your employer with your new bank account information for direct deposits. The same goes for other income sources, such as government benefits and retirement distributions.

If there are bills paid from this account

Make sure to change the bank information that is held by your billers (e.g, utilities, subscriptions, credit cards, mortgage, etc.). Don’t get hit with fees and penalties because you forgot to do this.

If there are transfers on this account

Reroute these transfers -- especially recurring transfers -- to your new bank account. Keep an eye out for accounts like savings accounts, investments accounts, and PayPal.

After you've successfully shifted your financial system over to the new bank account, just use your new account as your main account for the next 2-3 months -- keep your old account open as a temporary backup.

3. Transfer your money out and close your existing bank account

Time required: 15 minutes

Once you realize that you can live without your old bank account, it's time to shut it down.

Transfer any remaining funds to your new account and ask to have the account closed. You can do this at a branch or by phone.

When you close your account, make sure that you get a written statement that your account was closed. It will help you in case there are any future issues where the bank tried to charge fees when you clearly closed the account.

Here's an example of how the bank-switching experience would go:

You're a Bank of America customer who is planning to switch to Ally Bank.

First, after finalizing your decision to open an Ally checking account, you open the account online. Although, it might take a week for Ally to mail your account paperwork to you, begin looking through your Bank of America account activity in the past year.

Using a switch kit, you jot down the all the deposits, payments and transfers that pass through your Bank of America checking account.

This is an example of what your switch kit checklist might look like:

	Bank	Account Number	Type of The Account	Date Mailed or Contacted	Follow-Up Date	Item Complete
Direct Deposit						
Direct Deposit						
Automatic Payment						
Automatic Payment						
Automatic Payment						
Credit Card Balance Transfer						
Credit Card Balance Transfer						
Automatic Closure						
Automatic Closure						

You tell your company's human resources representative to change your direct deposit to your Ally checking.

You log into your electric company's website to change the automatic payment account details -- deleting Bank of America and adding Ally Bank.

You copy the AT&T account information from Bank of America's online bill pay service and paste it over to Ally Bank's online bill pay service.

You also remember that Bank of America funds your PayPal account, so you remove Bank of America and add Ally Bank as the bank-funding source.

For the next 2 months, you do everything you used to do with Bank of America, but you just do it through Ally Bank.

You noticed that there was no activity with your Bank of America account, but your finances were still in order -- you got paid and your bills got paid.

Finally, you take one last trip to a Bank of America branch and ask to close the account for good.

The actual work that you need to put in -- about one hour's time -- is much less than you expected.

Switch Kits

These kits require you to collect data (on one handy form) from recurring transactions such as deposits, withdrawals, direct deposit, life insurance payments, mortgage payments, savings accounts, etc. so your new bank can make the switch easy for you.

Some kits will even include letters from the appropriate parties to switch your direct deposit, redirect your auto payments and close your previous accounts -- brilliant!

Switch kits are often available online, at bank branches and through the mail. Be sure to ask your new bank if they offer switch kits.

When it Makes Sense to Switch Your Savings Account

Savings accounts are one of the simplest, most commonly used places people use to store their money.

One of their most attractive features, when compared to other low-risk investments, is that it's very easy to get your money when you need it.

A savings account is about as liquid as an investment can be.

Baring bank failure, you can access your money without meeting any roadblocks.

And of course, even if the bank does go belly-up, FDIC insurance covers all deposits up to a quarter million dollars.

So your money itself earns interest in an essentially risk-free environment.

The problem most people have when it comes to savings accounts is that they open an account at the same bank that houses their checking, even if it makes little sense to do so.

For instance, let's say someone has checking through Bank of America, and by default they open a savings account with them as well. The problem is, a savings account with Bank of America pays a negligible interest rate of 0.01 percent. That means if you put $15,000 into a savings there, after a year you will have just made a paltry $1.50. Pretty much every option out there makes more sense than that. For instance, if the bank has 2.00% APY on their savings accounts, or 200 times as much.

In this case, it makes a lot of sense to switch banks, and put your savings into an account that will make you more money than the cost of a candy bar. It's not just about higher rates, though.

From a psychological standpoint, opening a savings accounts at a separate institution can also temper the desire to dip into an account that is ostensibly for the purpose of saving money.

When it Makes Sense to Switch Where You Buy CDs

While they don't pay out as much as they did in their heyday, CDs still maintain a high level of popularity with investors who are seeking a higher return than a savings account but don't want to have to check in on their investments constantly.

That is to say, CDs are steady and predictable, and don't require constant checking in.

For its entire life, a CD will gain value at the same slow and steady pace.

There can be up to five years between buying a CD and its maturation, and in some cases even longer.

The fact that you only really need to deal with it twice in its history means the convenience factor of having all of one’s money in the same place is highly negligible.

The same, of course, can't be said of the market at large.

While the stock market can certainly provide nice returns, it is also as erratic as the day is long.

As long as the FDIC keeps insuring banks, which is to say as long as the U.S. government is a functioning entity, a CD will appreciate at the same rate while remaining virtually risk-free.

It's hard to put an exact premium on a good night's sleep, but if there's any worth to that at all, a CD has a lot of value beyond just its interest rate. It’s disadvantageous to buy all your CDs in one place if you plan on building a flexible CD ladder.

Depending on what your goals are, mixing up the institutions you utilize for CDs usually makes more sense than just picking one for every type of CD you plan on buying.

When it makes sense to switch your checking account

Checking accounts are one of the most basic services that banks offer.

If you live in the U.S., a country where nearly 50 percent of people say their favorite place to shop is online and its citizens spend hundreds of billions on the internet, having access to plastic is key.

A checking account is one of the simplest ways to do that.

To be sure, there are alternatives to a checking account that provide some of the same services, like getting a prepaid card, but a good, basic checking account still makes the most sense.

But of course, some checking accounts make a lot more sense than others.

Not all checking accounts are the same.

Many charge a fee to even keep them open, unless you abide by certain rules like maintaining a minimum balance and/or utilizing direct deposit.

By switching, you can also avoid potentially costly hassles like ATM fees.

In essence then, with a checking account at a large bank like Bank of America, the only advantage you are getting is having a place to store your money that's not under your mattress.

Unless you meet the requirements, you'll have to pay for the honor of having a non-interest earning checking account.

It might make more sense to have checking at a separate institution.

This is especially true if you are considering interest checking in lieu of a bank account that pays out zero returns.

Ally, for instance, pays a 0.10 percent interest on a checking account under $15,000, and 0.60 percent on balances higher than $15,000.

That's 60 times what Bank of America pays on their savings account.

Overall, no matter where you do your banking, the thing to keep in mind is that mixing and matching often makes more sense than doing everything at a single institution out of habit.

And it's not just about rates.

By banking with different companies, you could be avoiding costly ATM fees, charges for simply keeping a savings account, or exorbitant overdraft charges.

When it comes to banking, simplicity isn't the key -- getting the best deal is.