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Why Your Checking Account Cost What it Does?

There's so much fuss about fees. People are irate, saying they are paying too much. Financial institutions are looking for ways to make up for paltry profits, so they hear the din of the Occupy Wall Street crowd, as well as the complaints of grandma and grandpa.

Such debate requires a bit of dissection. Who's paying for what why?

There's an enlightening bit of info on the American Bankers Association website, The Cost of a Checking Account fact sheet is revealing for sure. According to the ABA, the cost of opening an account runs between \$ 150-\$ 200 and the yearly cost of maintaining an account runs between \$ 250-\$ 300. Where's all the money going? The expense of processing transactions, providing monthly statements, investing in payment system technology and software, paying the cost of tellers, ATMs, and online banking, staffing call centers, complying with regulations, ensuring privacy and data protection, and preventing fraud and covering fraud losses. It is estimated that about half of checking accounts are unprofitable in a "good year," and with more regulations on the horizon and business environment changes that number is expected to jump to 75%.

To dig deeper, consider the cost of convenience. You want access to your money 24/7, well that means branches, tellers, ATMs, they might just stand there but they require set up, maintenance, then there are the debit card, online and mobile-phone banking systems. And while technology is grand, because it is ever changing, banks efforts to keep up don't come without a hefty pricetag, there is continued maintenance and upgrades. It's not hard to imagine the costs involved in staffing and the legal and compliance areas, but what may not be top-of-mind is what it costs for banks to battle with scamsters.

A recent survey by ABA this fall looked at bank fees and concluded that 71% of bank customers are finding ways to avoid paying any fees, and 82% of customers spend \$ 3 or less in monthly bank fees for services such as checking account maintenance and ATM fees.

Not seeing eye-to-eye

While the banks have their perspective, the people have theirs. Nearly three-fourths of Americans with checking accounts support regulations that would require banks to better disclose the terms, conditions and fees associated with their checking services, according to a poll this summer commissioned by Pew Health Group's Safe Checking in the Electronic Age Project. In fact, those surveyed said they wanted the newly minted Consumer Financial Protection Bureau to put checking accounts, which 9 out of 10 adults have, safer and more transparent. What were the requirements people cried out for?

Eighty three percent said they wanted to require banks to provide a summary of information about the overdraft options they offer, how the options work and a description of fees;

Seventy-five percent thought banks should be required to offer a one-page summary of information about their checking accounts' terms, conditions and fees;

Seventy-five percent wanted banks to have to process transactions in the order in which they are received, instead of processing them from highest dollar amount to lowest dollar amount, which can up the odds of incurring an overdraft fee;

Sixty-nine percent would like to see banks limit overdraft fees based on how much it costs the bank to provide the overdraft.

According to a recent Bankrate.com Checking Account Survey, free checking is on the way out in 2011. In its recent survey, just 45% of non interest checking accounts were free, down from a peak of 76% two years ago. More banks are also charging maintenance fees for checking accounts, and those fees are rising. In Bankrate's survey, the average account maintenance fee rose from \$ 2.49 last year to \$ 4.37 this, an increase of 85%.

Fee furor not likely to fade

For the time being, the debate over fees isn't going away. After all, as Time magazine says, the person of the year, is The Protester. Don't expect them to give up the spotlight, but to carry on and take on more issues. Speaking up, complaining is en vogue. Banks and any other institution with a bit of blemish, should expect to continue to be whipping boys of sorts.

Fight back

But smart consumers will go beyond getting mad. Face it, there's no free lunch. Get savvy. There are a few strategies for beating those fees that get you all hot and bothered. For one thing, many banks still offer free checking for meeting conditions, such as signing up for direct deposit. Generally you'll save yourself a bit of fee angst by using your banks ATMs or those affiliated with your bank. Be mindful of any minimum balance requirements and if you watch your spending and don't zero out your account, you can avoid overdraft fees.

What's the bottom line? Each side can work a little harder to come to a compromise, no?

[Deposit Accounts](#)

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