



Regions Next Step Podcast

Insights for Students: 5 Financial Terms to Know Before College

In this podcast, Mark Senter, a Student Athlete Financial Wellness Program Manager at Regions Bank in Birmingham, Ala., breaks down five financial terms every student should know before going off to college.

Listen to learn from Mark about the following topics:

- Money terms that will help you manage your personal finances, including debit, credit and available balance
- What automatic drafts are, and the advantages and disadvantages of setting them up
- When and why overdrafts occur, and how to avoid them

Episode Transcript

Narrator:

You're listening to the Next Step Podcast "5 Financial Terms to Know Before College" part of our Insights for Students Series presented by Regions Next Step – advice, tools and resources to help you get closer to reaching your unique financial goals.

Mark Senter:

My name is Mark Senter, and I'm the Student Athlete Financial Wellness Program Manager at Regions Bank in Birmingham, Alabama. Today, we're discussing 5 financial terms every student should know before college.

As a recent high school graduate, you may feel ready for college. You've bought a shower caddy and extra-long twin sheets. Maybe you already met your roommate and selected some classes. But even if you feel totally ready for college, are you prepared to start handling your personal finances on your own in this next stage of your life?

Don't worry – it's OK if you aren't sure. Familiarizing yourself with the following five key money terms can help you ace your personal finances in college and beyond.



The first keyword is **Debit**.

To debit means to deduct money from your account. A Check Card is sometimes called a debit card because charges on the card are deducted – or debited – from the checking account. When you use your Check Card, you may be given the choice of entering your personal identification number – or PIN – or signing a charge slip. In either case, the charge for that transaction will be deducted from your checking account.

Next on the list are the terms **Current Posted** and **Available Balance**.

The amount of money in your checking account — the money available at the start of the business day, not including any pending withdrawals or deposits — is typically called a current posted balance. The cash available for immediate withdrawal from your checking account is typically called an available balance. Your current posted and available balance may be different depending on your pending transactions.

For example, you may use your debit card to buy groceries. Then, based on the amount the merchant requests authorization for, the bank may place a hold because it has not yet received the actual transaction from the merchant. This hold will be treated as a pending transaction and will only impact the amount you have available for immediate withdrawal – your available balance – making your current posted balance higher than your available balance.

The next term to be aware of is **Automatic Draft or Debit**.

An automatic draft or debit deducts money directly from your checking account. Many businesses and services encourage this method of payment. But be aware of the advantages and disadvantages before you authorize any automatic drafts. If your account consistently has enough money to cover all your charges, setting up automatic drafts can be a convenient way to pay bills.

However, if your account may not always have enough money to cover each automatic draft on the scheduled payment date, you may be charged fees from both your bank and biller if your account becomes overdrawn. You may also be charged fees if the scheduled payment is returned for insufficient funds. Familiarize yourself with your spending and cash flow habits before setting up automatic drafts from your account.

Next up in our discussion is **Overdrafts**.

Overdrafts occur when your bank pays a check, Check Card charge, or other transaction on your checking account even though the transaction amount exceeds your available balance. You are responsible for repaying the funds advanced by your bank to cover the overdraft – or the difference between the transaction amount and your available balance. You are also responsible for any overdraft fee the bank may charge for paying that transaction amount for you.



To avoid an overdraft, never spend more than your available balance. Another option is to sign up for overdraft protection. This is a service that transfers funds to your checking account – in some cases from your savings account – when an overdraft occurs. You may also be charged a fee for the transfer, but that transfer fee is typically less than the fee charged if you don't have overdraft protection. Make sure to discuss with your bank what these fees may cost and what your options are. Finally, you have the right to opt out of most types of transactions. Check your opt-in status by calling your bank.

The last term on today's list is **Credit**.

Credit allows you to make a purchase or obtain money on the promise that you repay it later, usually over an extended period of time. Credit cards — which can be issued by banks and businesses — are one of the most common forms of credit. With a credit card, you typically have the option to pay either your full balance or a minimum payment each month. There are also bank loans for students where you typically must pay a fixed amount each month.

For any form of credit, you might be charged late fees if payments are late. Failure to repay credit may negatively affect your credit score and your ability to finance a car or house. You should not obtain credit unless you will be able to repay that credit on the lender's required terms. As mentioned previously, first familiarize yourself with your spending and cash flow before deciding on your credit needs.

Narrator:

And that concludes this Insights for Students podcast. You can find additional information about student finances and more online at www.regions.com/nextstep. No matter your goals, Regions will help you with each step you want to take. Thank you for listening.

Copyright 2019 Regions Bank, member FDIC, Equal Housing Lender. This information is general educational or marketing in nature and is not intended to be accounting, legal, tax, investment or financial advice. Statements of individuals are their own—not Regions'. Consult an appropriate professional concerning your specific situation.