



Senior Checking Accounts: Are They Worth It?

In its report, *Still Risky: An Update on the Safety and Transparency of Checking Accounts*, the Pew Safe Checking in the Electronic Age Project examined checking accounts offered by the 12 largest U.S. banks and 12 largest credit unions.¹

Five of these financial institutions (four banks and one credit union) marketed special checking accounts tailored for seniors. To understand the costs and benefits of these accounts, Pew compared each senior account to its bank's or credit union's most basic checking account.² Three categories of senior accounts emerged.



Simple senior accounts: similar to standard, basic checking accounts

At some institutions, senior accounts are very similar to basic checking accounts and do not offer many additional benefits. At one institution, the only difference is an unspecified discount on check reorders. The service fees that some institutions waive tend to be those that are incurred infrequently, such as those for a cashier's check or for printing a record of the last several transactions (mini-statement) at an ATM. Opting for a simple senior account is cheaper than the standard account, but not significantly.

Low-cost/low-fee accounts: decrease the most common fees for seniors

This type of account offers seniors both lower required monthly fees than a basic checking account and lower minimum balances to waive that fee entirely. For instance, one charges seniors a higher monthly fee (\$10.00) than the corresponding basic account (\$3.99), but, unlike the basic account, allows that fee to be waived by maintaining a low minimum

balance (\$250.00). Seniors could save \$48 to \$96 per year with this category of senior accounts depending on the balance they maintain. In addition, these accounts include miscellaneous fee waivers (check images, discounted checks, etc.).

Senior added benefit accounts: require a higher balance to be a bargain

Some institutions offered senior accounts that cost more than basic accounts unless a customer maintains a high balance. For example, one account requires seniors to pay a monthly fee that is \$13 higher than that of the basic account (\$25 compared to \$12). Both accounts allow customers to waive this monthly fee with a certain minimum balance, but the requirement for seniors (\$5,000) is \$3,500 higher than that of the basic account (\$1,500).

The monthly fee for the basic account can be waived with a direct deposit of \$250 a month, but this is not an option for the senior account. As a result, senior account customers can expect to pay between \$156 and \$300 more per year in monthly fees if they fail to maintain a \$5,000 balance.

Seniors with this type of account are paying a higher price to buy in to special features like earning interest and waivers of certain fees. For seniors who do not meet the minimum balance requirements to waive the higher monthly fee, it is unlikely these perks will cover the additional cost of the account. However, for some seniors, this may be a worthwhile tradeoff, while others may be better served by choosing the bank's basic account instead of the specialty account.

Costs of a Senior Added Benefits Account	Account Balance	Basic Account	Senior Account	Additional cost
The choice of account can make a big difference in the cost of the monthly fee.	\$0-\$1,499	\$12/month	\$25/month	+\$13/month (\$156/year)
	\$1,500-\$5,000	\$0/month	\$25/month	+\$25/month (\$300/year)
	\$5,000+	\$0/month	\$0/month	+\$0/month (\$0/year)

This senior account earns interest. However, the rate would need to be 6 percent to cover the added costs of a balance of less than \$1,499 and 10.4 percent for a balance between \$1,500 and \$4,999.

The interest rate that would be required to break even on the monthly fees for this senior-specific account is much higher than that typically offered by checking accounts.

These accounts waive five fees that range from \$1 to \$10, some of which are for less common items like a mini-statement at an ATM. These charges may not be incurred frequently enough by the typical customer to account for substantial savings. Essentially, accounts of this type are a luxury account tailored for seniors, not necessarily an improvement on the basic checking package.

Recommendations

Given the checking account options provided to seniors, more transparent fee disclosures are particularly relevant. Financial institutions should lay out in a simple, clear format the fees, terms, and conditions of each type of account so that seniors can easily choose the account that is most appropriate. Pew has developed a model disclosure box that banks and credit unions can use to provide transparency to checking account offerings. See Pew's model at www.pewtrusts.org/safechecking.

ENDNOTES

1 These institutions held nearly 44 percent of the nation's insured deposits as of June 2011. "Insured deposits" refers to the sum of all FDIC insured banks' domestic deposits and all NCUSIF insured credit unions' shares and deposits.

2 For the purposes of this fact sheet, Pew defined a financial institution's "basic account" as the account that: a) has the lowest monthly fee of all accounts at the institution, b) is available in all, or the widest possible number of, markets in which the institution maintains a presence, c) is not targeted towards another demographic category (such as seniors or active duty military), and d) is not an online-only account.



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