

Tips for Avoiding Unnecessary Fees for Financial Services

Many people regularly pay fees for financial services that could easily have been avoided with some simple comparison shopping or by planning a few days ahead.

Some of the more common ways that you can avoid financial fees are:

1. Choose banking accounts that don't have monthly charges and whose minimum balances are low enough that you won't be regularly incurring a low balance fee.
2. Shop around for credit cards with low interest rates and no annual fees.
3. Always ask about the cost of any financial service. For example, wire transfers of money are quick, but at a cost (often \$20 or more). If you have a few days before you need to have the funds in hand, consider receiving a check by mail instead. Or, many institutions will send or receive money using ACH (automatic clearinghouse) at no charge – and ACH transfers usually take only two to three days from the time of order.
4. Treat credit cards as a convenience, not a source of funds. Credit cards are a great way to minimize cash transactions, keep track of your purchases, (often) get purchase protection, and even earn mileage or cash back. But pay off your balance each month. If you have extraordinary expenses one month, pay as much as you can each month until the balance is gone. If you truly need to borrow money, you may very well be better off seeking a personal line of credit from a bank.
5. If you use ATMs to get cash, avoid fees by only using ATMs in your banking network. If you are forced to use an out-of-network ATM (because you are out of town, perhaps), be sure to withdraw plenty of cash to minimize your need to return to an out-of-network ATM.
6. Never use a credit card to obtain cash from an ATM unless you have no other option. A typical credit card charges a 2% fee on cash withdrawals, plus interest starting on the withdrawal date. (Even card users who pay their account in full each month would pay this interest!)
7. Minimize stock, bond and mutual fund trading activity. Just because it's easier and cheaper than ever before to make trades over the telephone or internet doesn't mean that more trades are better. The true cost of each buy/sell transaction is the transaction fee, plus the margin cost, which is rarely discussed and even more rarely disclosed to traders. Additionally, some mutual funds have front- or end-loads (commissions), which are incurred with each transaction (although some end-loads are cancelled if the fund has been held a specified number of years).