

Distinguish, differentiate, compare and explain what is the difference between savings account and current account. Comparison and Differences.

Most banks offer both savings and current accounts as a way to store and save money with their institution. Both types of accounts allow individuals to save money in the bank while still being able to access it for their own use. However, the ease of access and convenience of using the account, such as for paying bills or writing checks, differs between the two types of accounts.

## **Savings Accounts**

Savings accounts are designed for long- or short-term savings, not for frequent use. Savings accounts may have an ATM card associated with them, especially if you also have a current account with the same bank. However, withdrawals from savings accounts may be limited, and an ATM card associated with a savings account usually can't be used at stores or online to pay for purchases. Withdrawals are usually conducted at the bank itself, sometimes using a passbook that records all transactions into and out of the account.

## **Current Accounts**

A current account also known as checking account is a convenient account designed to allow you to put money in the bank and gain immediate access to your money whenever you need it. Checking accounts allow you to write checks directly from the account to pay for items. They also generally have a debit card associated with them that allows you to pay for items and get money from an ATM.

## **Difference between Current Account and Saving Account**

Checking accounts are generally more convenient overall versus savings accounts. The ability to deposit and withdraw money is more limited with savings accounts. Checking accounts are considered transaction accounts and can have an unlimited number of transfers out of the account each month. Savings accounts are limited to five or fewer transfers out of the account per month since they are considered nontransaction accounts.

Both savings and current accounts can earn interest, depending on the bank and the specific type of account. Savings accounts generally earn more interest than current accounts do, operating under the idea that the individual will be storing the money in the account for a long period of time. The costs of savings and current accounts also vary. Banks offering savings accounts generally have few or no fees associated with these accounts. Checking accounts often have a variety of fees attached to them, including monthly service fees, fees for ATM or debit card use and fees for any other services the bank might attach to that account.

Savings accounts are usually easier to get than current accounts. Most banks issuing current accounts will look up the individual's current account history through the ChexSystems electronic system, which operates similar to a credit check for current accounts. Any history of fraudulent or bounced checks in the applicant's past could cause a rejection. Savings accounts do not generally go through this process, so opening one is a fairly simple process.

### **Lets see the main features of savings accounts:**

1. Primary purpose is to save money (for emergency, for future purchases, or to invest).
2. Number of withdrawals per month is limited.
3. Typically pays a higher interest rate than an interest-bearing checking account.
4. May require a minimum balance to avoid fees.
5. May charge fees for too many withdrawals.

### **Lets see the main features of a checking account:**

1. Primary purpose is for everyday money transactions such as paying bills and making purchases.
2. Few or no restrictions on the number of withdrawals or checks per month (some checking accounts offer a limited number of free checks per month and then charge a fee if more checks are written).
3. May pay interest, with some accounts paying higher interest rates as your balance increases.
4. Usually charges a monthly maintenance fee (which may be waived under certain circumstances, such as

maintaining a minimum daily or monthly balance, or if the account is linked to a savings account in the same institution). Check with your financial institution to learn if you can qualify for a no fee checking account. Many offer no fee accounts for students.

Steady Run