

HopeSource Healthy Investments: Manage those bank accounts



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Most people divide their bank accounts into checking and savings, but few would agree that their financial life is that simple.

We all know that a budget controls your money by dividing it into different tracks; why not create a bank account for each of those tracks? Think of it like a filing cabinet. Just as you would sort and file a messy stack of papers, multiple accounts allow you to sort and file your money, giving you a very clear picture of your financial life.

Of course, this system is made possible by the ubiquity of free online banking, which allows you to easily monitor accounts for irregular charges and transfer money between them.

As for your credit score, opening multiple accounts will only hurt you if you don't maintain the minimum balances or make payments on time. You might consider streamlining this system by keeping all accounts with one bank, and/or using a personal finance tool like Mint and LearnVest, which allows you to access all of your accounts on a convenient online dashboard.

Here are some accounts to consider:

- **Discretionary account (ie. fun money):** For anything left over at the end of the month after contributing 20 percent to savings, making debt payments, and paying all bills. You should have a plan for this slush fund,

like a special vacation. No bills should be paid from this account; it's the equivalent of a change jar. Consider having kids contribute as well, and come up ideas for its use.

- **Emergency savings:** Emergency savings are different from regular savings, and warrant their own account. It should contain enough to live on for three to six months, and does well in high-yield online savings or money market accounts.

- **Regular savings:** This is money for any non-emergency purchases you need to save up for: vacations, home/car repairs, down-payment on house, furniture etc.

- **Regular checking:** money shouldn't stay long in this home-base account. Direct deposit all of your paychecks here, and quickly allocate that money towards bills, debt payments, and your other specialized accounts where it can be put to its correct use.

- **Health savings account:** A tax-advantaged savings account for anything medical related, such as prescriptions, available to those enrolled in a high-deductible health plan.

- **Kids checking and savings accounts:** Having your kids manage their own accounts allows them to make (and live with) their own financial choices.

Zoë Fahy serves as the financial literacy coordinator at HopeSource in Ellensburg through the Washington Service Corps. Tell us what you think by filling out a survey at hopesource.us.