JumpStart HANDBOOK
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A Bank Account is a vital part of modern life. Without one, you'd have to pay for everything you need in cash – which is more hassle than it's worth! Besides, a bank account offers you a load of benefits you wouldn't get if you hid your money under your mattress: it's safer, your money grows, you can arrange loans, you can get a bank card to use at ATMs (Automatic Teller Machines) and monthly statements show you what's happening in your account.

To open an account, you'll need to deposit a certain amount of money as a minimum balance. Ask your bank - in advance - how much is needed.

What The Law Says

Opening a bank account is fairly simple and doesn't take long. But cases of money laundering in South Africa and around the world have led Government to create a law called the Financial Intelligence Centre Act. This means that banks have to be quite strict when people apply for bank accounts. You have to provide them with your ID book, proof of income and proof of residential address (where you stay).

How Does This Affect Me?

If you have one or more of these documents, getting a bank account will be easy. But you're probably living at home. Which means you may not own or rent a property, pay insurance or earn a salary – yet. These things will come in time. If you don't have any of these documents, the bank will ask you to provide a letter from your parents or legal guardians stating their relationship with you; explaining that you live with them at X address; mentioning your ID numbers; and adding that proof of their residential address is included.

What's The Next Step?

Once you've got all your documents together, walk into a bank, stand in line, fill in some forms and wait. The type of account you want to open will determine how long you'll have to wait. Opening a savings account usually takes a few minutes, but credit accounts take a few days to be processed.

You can get proof of residence from one of the following, provided that it has your name and residential address on it:

- electricity/water bill;
- SARS tax return (less than one year old);
- payslip/salary advice*;
- bank statement from another bank*;
- lease/rental agreement;
- municipal rates and taxes (utilities) invoice*;
- mortgage statement from another bank;
- telephone account*;
- life insurance policy;
- short-term insurance policy;
- valid TV licence; or
- any correspondence with the body corporate of the building you own or rent a home in.
- These must be no older than three months

The Different Types Of Bank Accounts

There are many different types of bank account out there. And no, they're not designed to confuse you! They're there to allow flexibility in your choice of bank account. Not everyone ha the same banking needs. A high-powered corporate executive will have very different needs to a first-timer who's just started university.

The basic types of account are:

- Savings accounts – mainly used for saving, depositing and withdrawing money. You can ask for an ATM card for use at ATM machines; a debit card that allows cash to be paid directly from your savings; and a garage card for fuel, oil and other vehicle-related needs.
- Current/cheque accounts – allow you to deposit and withdraw money in the form of cash, cheques or transfers. Most banks only allow you to draw R1 000 at a time from ATMs, so current accounts are particularly useful if you have to make payments bigger than R1 000. But remember: you can only write cheques up to the amount of money you have. (See Budget and Save). And you'll have to provide the bank with a payslip (or more than one) to open the account.
- Credit card accounts – come with a credit card and a credit facility (the amount varies from individual to individual). Credit is how much money the bank is willing to lend you. But don't get too excited. It's not a gift; you still owe the bank that money. You'll also have to pay interest (see The South African Economy) on whatever you spend.

Most banks have special accounts for students, so ask around and find the best deal for you!

ATM Security:

1. Sign your card the moment you get it.
2. Memorise your PIN (Personal Identification Number). Don't write it on the ATM card or keep it in your wallet. Don't tell it to anyone.
3. Safeguard your ATM card. Report lost or stolen cards to your bank immediately!
4. Always observe your surroundings before walking up to an ATM. If the ATM is poorly-lit or obstructed from view or if you feel uneasy or uncomfortable, leave the area immediately. Don't use the ATM!
5. Take a companion if you're using the ATM after dark.
6. Scan the ATM for anything unusual. If it looks different or appears to have alterations or attachments to the card slot or PIN pad, use a different machine.
7. Keep your card in your hand when you approach the ATM. Having to fish it out of a purse or wallet is time-consuming and allows a potential thief easier access to yourvaluables.
8. Stand squarely between the ATM and anyone behind you so that others can't see your PIN or observe your transaction amount. Never count your money at the ATM!
9. Always take your bank slip, as it states your account number and balance.

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10. Always keep bank slips! They're a form of proof, should you ever have a problem with your account or should the ATM "swallow" your card in mid-transaction. Yes, this does happen occasionally. But banks are used to it and have procedures in place, like emergency numbers, to help clients in distress!

Service fees, Internet and Credit:

Like any other business, banks have to make money. One way to do this is to charge you a service fee for most things you do on your account. These "things" are called transactions and include depositing money into your account, taking money out of your account and transferring money from one account to another.

NOTE
You don't have to use your ATM card at your bank's ATM machines only. But if you use it at another bank's ATM, you'll be charged higher service fees.

The bank wants you to keep your money safe and sound in your account, so it offers you interest, a financial incentive to do exactly that (see The South African Economy). Interest is the amount of money that the bank pays into your account for depositing your money with them. It's a kind of reward a "Thank You". Interest payments are calculated as a percentage of funds in your account and the more money you have, the more interest you'll earn.

But there's "good" and "bad" interest. When you save or invest, interest works for you. But accepting credit makes interest work against you because you are paying the interest to somebody else.

Let's say you open an account at a major clothing store. You're thrilled because they offer you credit of R500 to start with. You race in, shop until you drop and don't have to pay a cent up-front. In fact, you have six months to come up with the money to pay off the stuff you bought. But there's a catch! The store will charge you interest during the six months and this will be added to the total that you owe. You'll actually have to pay more than you would have if you'd just bought the clothing with cash

NOTE
Bottom line: Buying on credit helps banks and shops, but it doesn't help you. You could even start living beyond your means and getting into debt! So when you hear about "special offers" - stop and do the maths. Work out if you're going to land up paying back more than you borrowed.

Let's say you deposit R100 into a bank account. The bank promises to pay you 10c a year for every Rand invested. The interest paid to you is therefore 10c times R100 invested, equalling R10. The interest rate can be determined by dividing the interest paid by the amount of money deposited. R10/R100 = 0.1 or a 10% interest rate.

National Youth Service