

9.1 Saving Alternatives

A Bank Accounts

Type	Chequing Account	Saving Account
Description	<ul style="list-style-type: none"> ✓ most basic transactional account you can have ✓ account you can use every day 	<ul style="list-style-type: none"> ✓ help you achieve short and long term saving goals
When to Use	<ul style="list-style-type: none"> ✓ Deposits (cash and cheques) ✓ Withdraw money (at ATMs, bank tellers, etc.) ✓ One-time purchases (groceries, gas, etc) ✓ One-time or pre-authorized payments ✓ Transfers (between accounts of the same institution) ✓ <i>Interac</i> e-Transfer® transactions 	<ul style="list-style-type: none"> ✓ saving up for a larger purchase, such as a vacation, a car, or even a down payment for your house ✓ a great account for your 'rainy day fund'. (car repairs, washing machine stops working)
Pros	<ul style="list-style-type: none"> ✓ Ideal for every day purchases, such as making bill payments or buying groceries ✓ Higher number of transactions you can perform per month 	<ul style="list-style-type: none"> ✓ Some savings account may earn interest depending on the tier and your account balance ✓ Back up fund for unplanned expenses or can help you achieve your financial goals
Cons	<ul style="list-style-type: none"> ✓ You don't earn any interest on the balance you maintain in your account* 	<ul style="list-style-type: none"> ✓ Can incur additional transaction fees ✓ Not meant to be used as an account for day-to-day transactions

B Chequing Accounts Fees

Take a look at the following table from TD Bank to solve Example 1.

Account name	Monthly fees	Number of transactions included per month and transaction fees	No monthly fee if you maintain the following balance at the end of each day of the month
TD Minimum Chequing Account	\$3.95	12 transactions	N/A
	\$0..... Youth under the age of majority in their province of residence	But only 2 transactions a month can be done at a TD branch or with an EasyLine Telephone banking representative without paying a transaction fee.	
	\$0..... Students enrolled full-time at a college or university		
	\$0..... Seniors (60 years or older) collecting Guaranteed Income Supplement	\$1.25 for each additional transaction	

Example 1. James was a student enrolled at Sheridan College. He has a TD Minimum Chequing Account at TD Bank. James made 20 transactions over the month of December 2019.

a) How much money did James pay as fees for his account in December 2019?

$$A = (\$0)(12) + (\$1.25)(20 - 12) = (\$1.25)(8) = \$10.00$$

b) On January 1st 2020, James dropped from college and made 15 transactions on his chequing account. How much money did James pay as fees for his account in January 2020?

$$A = \$3.95 + (\$1.25)(15 - 12) = \$3.95 + (\$1.25)(3) = \$7.70$$

∴ James paid \$7.70 in Jan 2020.

Take a look at the following table from TD Bank to solve Example 2.

Account name	Monthly fees	Number of transactions included per month and transaction fees	No monthly fee if you maintain the following balance at the end of each day of the month
TD Every Day Chequing Account	\$10.95 \$8.20..... Seniors (60 years or older)	25 transactions \$1.25 for each additional transaction	\$3,000

Example 2. Mr. G has a TD Every Day Chequing Account at TD bank. He has about 35 transactions per month. Which option is better?

a) to keep into this account the minimum amount of money in order to have no monthly fees

$\$3,000$

$$A = \$0 + (\$1.25)(35 - 25) = \$12.50$$

b) to open a saving account at 2% interest rate per year compounded monthly and pay the monthly fees on his chequing account

$P = \$3,000$
 $r = 2\%$

$t = 1 \text{ month monthly}$
 $I = \$4.95$
 $23.45 - 4.95 > 12.5$

$$A = \$10.95 + (\$1.25)(35 - 25) = \$23.45$$

C Cash withdrawal from an ATM

Take a look at the following table from TD Bank to solve Example 3.

Making a cash withdrawal at a non-TD ATM	Fees
In addition to our fees below, most ATM providers charge a fee to use their ATM - the fee is added to the amount you withdraw each time you take money out of your account.	
At non-TD ATMs in USA or Mexico:	\$3.00
At non-TD ATMs in any other foreign country:	\$5.00
If you have a TD All-Inclusive Banking Plan, or TD Wealth Private Banking Account:	No service fees
In addition to the fees above, if you make a foreign currency withdrawal at an ATM outside Canada with your TD Access Card, the amount of	3.5%
<ul style="list-style-type: none"> the foreign currency funds received at the ATM, and any fee charged by the ATM provider is converted to Canadian dollars at the exchange rate set by Visa International in effect on the date the transaction is posted to your account. The amount withdrawn from your account will include a fee equal to 3.5% of the amount of the foreign currency funds received at the ATM plus any fee charged by the ATM provider after conversion to Canadian dollars.	of the Canadian dollar amount after conversion of the foreign currency amount at the rate set by Visa International

Example 3. While traveling to USA, Sabbi made a withdrawal of US \$2500 from non-TD ATM charging US \$2 for the transaction. The exchange rate set by Visa International is 1.3. How much money in CAD will Sabbi be charged on his TD chequing account?

① $\$2500 + \$2 = \$2502$

② US \$