

Which is Better: A Credit Union or a Traditional Bank?

There are lots of places to put your money other than underneath your mattress. When deciding on the best place to save and grow your money, it's smart to evaluate account options from credit unions as well as traditional banks.

While both institutions provide a safe place to house your money, there are a number of differences between banks and credit unions. The ultimate choice should reflect your own personal needs and financial goals.

The Basics: Banks and Credit Unions

Banks are typically the most popular choice for saving money. They offer checking and savings accounts, consumer loans such as mortgages, credit cards, ATM cards and even investment products like mutual funds and IRAs. Banks are federally insured by the Federal Deposit Insurance Corporation (FDIC), which guarantees the safety of individual accounts. But it is important to understand that a bank's primary purpose is to make money for its investors and stockholders.

Credit unions, on the other hand, are designed to serve a particular group or demographic. Those who use credit unions for their financial services are called "members" rather than customers, because you must join a credit union before you can deposit money. Since credit unions are not-for-profit organizations, the profits accrue - after allowing for overhead costs - directly benefiting the members.

Credit unions offer the same kinds of services as banks: checking accounts, savings accounts, loans of all types, credit cards and ATM cards. But because they don't need to make money, credit unions often offer members lower interest rates on loans and higher interest rates on checking and savings accounts than banks.

Credit unions are insured by the National Credit Union Administration (NCUA) and are democratically controlled by members. This means that, unlike traditional banks, members also hold decision-making power.

However, you have to be eligible to become a member of a credit union. Does your employer offer membership in a credit union? Can you join a professional organization that has access to a credit union? Some credit unions will allow family members to join, so ask around to see if your parents or your spouse has a credit union membership. Others have opened up their membership to simply allow people who live or work in a certain geographical area to join; no other requirements are necessary.

Choosing between a bank and a credit union

Some people choose credit unions over traditional banks because they like the personal service as well as a voice in the union's direction.

Banks, however, do offer a wider range of services and are often more accessible to customers. The "big box" institutions (some folks call them "monster banks") typically have more branches and locations, which makes accessing your money while traveling much easier.

In order to make the right decision for you and your family, locate credit unions that are close to your home, and visit them to learn more. Compare fees, types of accounts and interest rates offered by a credit union versus a traditional bank. At the same time, take a look into the options offered by large

and small traditional banks. Whichever you choose, the end goal is to ensure you're getting the most out of your financial institution.