

What you need to know about switching banks

By Meredith Dault



Should you switch banks or stay where you are? Here are 6 things to consider to help you make the choice.

When it comes to managing our money, banks are a fact of life. But how do you know if the institution you're dealing with is the right fit for you? If your bank is bogging you down with fees or not giving you the service you need, it might be time to switch banks. But there are lots of good reasons to stay put, too.

Reasons to switch banks

No matter how you go about it, switching banks is usually a hassle. But in some instances, there are very good reasons for making the move.

1. Irritation

If you aren't getting the service you expect from your bank, it may be time to consider parking your money elsewhere. "My clients will usually switch banks for reasons of service and convenience," says Karen Collacutt, a certified money coach based in Barrie, ON.

Whether the bank is putting holds on deposits or changing its banking policies with little notice, she says it's fair to switch banks if you aren't feeling respected by your institution. "I've had clients who are looking for help with things, and they just aren't getting it," she says, describing a situation where a bank was letting a client's cheques bounce, rather than letting her account go into overdraft. It's also worth considering a switch if your bank's location is no longer convenient, or if their machines aren't readily accessible.

2. Fees

Whether you're paying to withdraw money on another institution's bank machines, to write cheques, or because you don't have enough money in your chequing account to avoid a base fee, the cost of doing your banking every month can really add up. That's why many people are making the switch to low or no-fee banking options like PC Financial and ING, or to credit unions in a bid to save money. "Imagine you and your partner are both spending \$15 a month on your chequing accounts, and then you have a fee on your line of credit. You could end up paying more than \$500 a year in fees," says Collacutt. "So you can understand why people do it."

3. Life circumstances

If you've recently gotten married and want to run your finances as a family, Collacutt says it's worthwhile to do all your banking at the same place. Banking with the same institution will make it easier to transfer funds between accounts, or open a joint account. "I often recommend couples get a joint savings account to save for lump sum purchases -- things like gifts, travel or renovations -- and that's a lot easier to do if you are at the same bank."

Reasons to stay at your current bank

As tempting as it might be to break up with your bank when their fees and policies annoy you, there are still plenty of good reasons for staying put.

1. Relationships

Collacutt says that the more important reason for staying with an institution is because of the history you've established with them. "You really develop a relationship," she says. "For example, I've been at the same bank for 16 years, so when I need something or I have a challenge, they're ready to help me."

Collacutt describes a situation where she was away on holiday and realized she'd written a cheque on an

account that didn't have enough money to cover it. That's when she called her banker and had her move some money into the right account. "I have a relationship with her. But you can't do that at a bank where you have no relationship." Collacutt recommends doing some banking in-person every month to help build and maintain your connection with your branch.

2. Perks

Collacutt says a lot of banks have rewards, perks and points for long-time clients, which you'll lose if you move. "For example, you might get the hold on your deposits removed once they know that you are competent with your money," she explains. "There can also be rewards associated with different accounts. At my bank, once you've been a customer for a long time, they will offer you a package to help you reduce your fees and combine your accounts under one fee. That's the sort of thing that isn't offered to someone who is brand new."

3. Avoid hassle

You may be irritated by some of your bank's policies, but switching banks can sometimes be more trouble than it's worth. "It's a lot of work, especially if you have automated billing and payroll deposits," says Collacutt. Once you have everything set up, changing everything can be a pain.

If you do decide to switch banks, make sure you do your research beforehand. If you're moving to avoid fees, double check that your new institution really is going to be less expensive, and be aware that paying less can also mean less personalized service (for example, a no-fee account may mean you lose in-person service). And remember that when you close a bank account, you also lose your history -- so if you need to prove you paid for something in the future, that information won't be readily accessible. Finally, make sure you keep a little money in your old account before you close it, just in case you've forgotten about an automatic debit.