

How is a Credit Union Different Than a Bank?

Financial Wellness is just like anything else: It takes a little discipline, and some good advice. At Golden 1 Credit Union, we're here to help. As a not-for-profit, member-owned credit union, our main goal is to help people like you reach your goals. Providing unbiased financial advice and education is another way of doing just that. So, whether you're trying to make a major purchase, start an investment fund, or just have some peace of mind, let Golden 1 be your financial partner and together we can be golden.

Hello, and welcome to the Golden 1 Credit Union Financial Wellness Podcast. I'm Martin...

...and I'm Rebecca.

Rebecca, tell me what you think I'm describing: A financial establishment that offers checking accounts, savings accounts, credit cards, and loans, both home and auto, and invests deposited money, and pays it out when required?

Martin, of course I know what that is. It's a credit union, of course!

Yes, you are partially correct!

Partially? I think I know what a credit union is. You should, too!

Well, of course I know what a credit union is. They've been around a long time. And I only say you're partially correct because that's the whole point of this podcast! What I was actually reading was the definition of a bank which, as it turns out, is almost identical to that of a credit union.

That's right. I bet we have a few listeners out there aren't sure what the difference is. Credit unions got their start in England in the early 19th century before coming to the United States in 1909 and have existed to serve their members ever since.

When I ask people how a credit union is different than a bank, the most common answer I get is that a bank is where you go to for all the things I just described, and a credit union can only give you loans or credit cards. In other words, they only deal with credit.

That's a pretty typical misconception, actually. The truth is simple: Pretty much anything you can do at a bank, you can also do at a credit union.

So, I can get a checking account at a credit union?

You sure can!

Can I get a savings account?

Yes! You will probably even get a better interest rate than you would at a bank because banks typically charge fees when balances drop below certain levels! We just use the term dividends instead of interest rate.

And, of course, I can still apply for a credit card, open up a money market account, and also get insurance. I can even apply for a personal loan, home loan, and even an auto loan. With all that, Rebecca, tell me other advantages to choosing a credit union instead of a bank?

First of all, Martin, credit unions are not-for-profit organizations owned by their membership while banks have stockholders. These member-owned and cooperative institutions provide a safe place to save and borrow at reasonable rates. That means for hardworking people there are typically low to no minimums to open accounts and fewer fees. Everyone who deposits their money or borrows money from a credit union is a member owner of that credit union. Credit unions don't have stockholders who just get richer when more people use their services.

Credit unions were founded on the principal of "people helping people". They help people get the home or car of their dreams and gain financial knowledge to succeed in school and life. Through various sources they teach financial education to their members in addition to offering lower rates on loans or higher rates on savings accounts.

It's important to note that your money in a credit union is just as safe as it is at a bank. Whereas most banks are federally insured by the FDIC, or Federal Deposit Insurance Corporation, most credit unions like Golden 1 are insured by the NCUA, or National Credit Union Administration, which provides members with up to \$250,000 in coverage.

That's really important! I'm glad to hear that my hard-earned money and savings would be safe and secure. Rebecca, another important distinction is that since credit unions are not-for-profit they aren't out to make money. It feels good to know that their money is part of a shared partnership that can enhance the financial well-being of all of its members.

Plus, credit unions are part of the Co-Op network where you can use a Co-Op ATM free of fees unlike most banks that can charge you. Pretty nice, right?

Right! So far I have yet to find a downside to being a member of a credit union. Why doesn't everyone join one?

Because, unlike banks, credit unions have some criteria about who can become a member. Anyone within the credit union's 'field of membership' can join, but if you aren't eligible, unfortunately you can't join.

Ok, I'll bite: What's a field of membership?

There are four ways that you can qualify: Employer, family, geographic location, or membership in a group. For employer you basically need to work for a certain company, state or government agency.

So, if I worked for the state I could join a state employee credit union, but my friend who, for example, owns a food truck, could not, right?

Right. Unless your friend has a family member that works for the state. He may then qualify for a family membership and be able to join.

I see! For some credit unions you just have to live or work in a particular place to qualify. For instance, to become a member of Golden 1 Credit Union, anyone can join as long as they live or work in the state of California.

The last group is Select Employee Groups, or SEGs, which can include schools, labor unions, non-profits, or homeowners associations.

So, even though you have to qualify for any of these fields of membership to join a credit union, it sounds like almost everyone should fit into one or more of those categories.

But you know, Martin, banks have advantages too.

That's true. In the interest of fairness, we should mention some of the positive things about banks. For one, banks typically have more branches, so the odds of living near one is greater. Not only that, but a lot of banks have branches across the country, whereas credit unions are mostly regional, right in your community.

And I've noticed that banks tend to roll out new technologies at a faster rate than credit unions. Always looking for new, high-tech ways to grab your business.

Ultimately, the choice is yours! If you want to stash your money at a big multi-national bank, that's run for the benefit of shareholders, go for it! If you like the idea of joining a cooperative, for-the-people financial institution with your best interests in mind, better interest rates, that invests in its community, you might want to think about joining a credit union.

That's right. They're both better than not saving your hard-earned money at all.

If you'd like more information on credit unions, or any number of financial topics, you can visit www.mycreditunion.gov or walk into your closest branch and ask questions.

Or take a look at our website golden1.com and read all about us and what we stand for to see if Golden 1 is right for you.

Who you trust to hold your money is a highly personal decision, and there isn't one choice that's right for everybody. Do some research, think about what's important, and determine the best way to make your money work for you.

Whether you choose to go with a credit union or a bank, Golden 1 will be here to support you through our free online financial education portal at www.golden1.com/financialwellness. You don't have to be a member to watch videos, listen to podcasts, attend webcasts, or use one of our many interactive financial education modules in the Learning Lab.

We hope that we have helped you get a bit of perspective on how much credit unions and banks can differ, and how much they are the same. For Golden 1 Credit Union this has been Martin...

...and Rebecca, wishing you financial health and happiness and reminding you, no matter where you put your money, to (both) **STAY GOLDEN!**