

Virtual Banks

If you don't mind foregoing the teller window, an online or e-bank – such as USAA, Chime, NationWide, Discover Bank, Giant Bank or Alliant Credit Union – may save you money. From the customer's perspective, virtual banks exist entirely on the Internet. They offer nearly the same range of services and adhere to the same federal regulations as a brick-and-mortar bank.

Virtual banks pass the money they save on overhead costs, like buildings and tellers, along to you in the form of higher yields, lower fees, rewards such as cashback, and more generous account thresholds. Many of these online banks provide customers access to free (no fee) ATMs across the country. However, out-of-network ATM fees can apply if there are limited ATMs in your area affiliated with your virtual bank. This is the primary disadvantage of virtual banks.⁶⁶

Advantages of Online Banks:

- **Low fees:** Online banks tend to have lower (or no) monthly maintenance or overdraft fees.
- **Better interest rates:** Deposit accounts at online banks tend to have higher annual percentage yields. For example, the best online savings accounts have APYs around 0.45%, while the national average rate for savings accounts is 0.06%.
- **Convenience:** Unlike your corner bank, online banking sites never close; they're available 24 hours a day, seven days a week, and they're only a click away.
- **Ubiquity:** If you're out of state or even out of the country when a money problem arises, you can log on instantly to your online bank and take care of business, 24/7.
- **Transaction speed:** Online bank sites generally execute and confirm transactions at or quicker than ATM processing speeds.
- **Efficiency:** You can access and manage all of your bank accounts, including IRAs, CDs, even securities, from one secure site.
- **Effectiveness:** Many online banking sites now offer tools such as account aggregation, stock quotes, rate alerts, and portfolio programs to help you manage your assets. Most are compatible with money managing programs such as Quicken and Microsoft Money.

Disadvantages of Online Banks:

- **Start-up may take time:** In order to open an account at a virtual bank, you will likely need to mail in a signature.

⁶⁶ Amber Murakami-Fester. "What is Online Banking? Definition, Pros and Cons. *NerdWallet*, May 25, 2021. <https://www.nerdwallet.com/article/banking/pros-cons-online-only-banking>