

Important advice on choosing an online bank

Online banks can be an excellent alternative to traditional banking but some are better than others and a handful are outright scams. If you're considering switching to an internet bank or creating an alternative account with one you can the first thing you should do is learn everything you can about internet banks so you can make an informed decision.

Why choose an internet bank anyway?

Internet banks don't offer the convenience of physical locations where you can easily deposit checks but they do come with a range of other benefits:

- 24/7 customer service
- Excellent mobile banking apps
- High interest rates, often even on checking accounts
- Fewer fees

Online banks are able to accomplish these things precisely because they do not have all the financial overhead associated with running actual physical locations.

Consider these factors when you're choosing an online bank:

1. As few fees as possible

Almost all internet banks have fewer fees than traditional banks but it's important to shop around for the bank with the lowest number of fees for the account(s) you want to create. Read through the fine print before signing any contract to look out for surprise fees.

2. Minimum deposits

Are there minimum deposits on the accounts you're interested in? Does the interest rate you earn go up if you have more than a certain amount in the account for an extended period of time? Minimum deposits at internet banks are often smaller than minimum deposits at traditional banks but they can still be substantial.

3. Customer support

24 hour customer service doesn't necessarily mean good customer service and one trusted friend telling you they had a good experience doesn't mean the company's customer service is great overall. Check out the bank's Facebook page and websites like [Consumerist](#) when you're considering a bank. You should also do a quick Google search for the bank's name and the words "customer service"; if the bank isn't trustworthy you'll often be immediately bombarded by bad reviews.

4. Security

Internet banks do have FDIC insurance(usually for accounts holding up to \$100,000) so it's virtually impossible to permanently lose money but if your bank is hacked you can lose access to it for a significant period of time. Most internet bank websites are at least as secure as online banking portals run by traditional banks but it's worth asking any internet bank you want to work with what they're doing to stay one step ahead of hackers.

5. Accessibility

As strange as it sounds not all internet banks have smart phone apps. Most have partnered with at least one bank or ATM company to create a network of ATMs where you can freely access your account, but the size of their network varies greatly and they may not be compatible with ATMs outside their network at all. Be sure to ask about all the different options for accessing your account before you choose an internet bank, especially if you're making a checking account.

6. Diversity of products

Eventually you'll probably want access to different financial tools than you do now. Developing a relationship with a new bank is always more difficult than improving your relationship with your old bank and it can be confusing to have accounts in too many different places. Choose an internet bank that has products to serve your needs as they change.

7. Ease of account setup

There's no reason why you should have to read and sign fifteen different forms when you're signing up for an online bank. A good internet bank streamlines everything, including the account creation process. You shouldn't have to do anything more than fill in your personal details and add the account number and routing number of your existing checking account.

8. BauerFinancial Rating

BauerFinancial has been independently analyzing and assessing banks and credit unions based on their reliability and performance since 1983. Any online bank you're considering should have at least a three star rating on BauerFinancial. If it's anything less than that, run the other way!

Still not sure where to start? Check out [Ally Bank](#) for its no maintenance fee checking account and high interest savings accounts/CDs or [Discover Bank](#) for their variety of financial products including home equity loans and student loans.