

Financial education for young adults

Banking 101



HSBC

| Opening up a world of opportunity

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Do you need a bank account?

Opening a bank account is a great first step towards managing your finances.

A bank account gives you an easy way to manage your finances and a safe place to keep your money. Having a bank account also allows you to see how your money is connected to your everyday needs and spending. When you get a job in the future, you'll also need a bank account to receive your wages or salary, as most jobs won't pay you in cash.

There's a lot to consider, so it's helpful to know what type of bank account you need and how to open one.

► Types of bank accounts

Savings account



This is the account to keep your savings in. The best thing about these accounts is that you can earn interest. Different banks offer different interest rates, so make sure you do your research before settling on one. Some savings accounts may require a minimum balance or have penalties for taking your money out early.

Current account



This is for your day-to-day spending. It's the account you'll typically use to pay and receive money from friends, family or anyone else.

What are the benefits of having a bank account?

From cultivating a saving habit to making payments, having a bank account can make various aspects of your life more convenient.

Here are some of the key benefits:



Save your money safely

Keeping your money in a bank account reduces the risk of theft or loss compared to keeping cash at home.



Access your cash more easily

You can access your money in various ways, such as ATMs, online banking, a mobile banking app or by visiting a branch.



Manage your everyday banking needs

You can pay money into your account through cash deposits or cheques, receive money from others, and send funds to others by bank transfer, Faster Payment System (FPS), PayMe, etc.



Stay in control of your money

You can make use of online and mobile banking services to check your balance and monitor your spending and transactions anytime, anywhere.



Make payments easily

You can set up direct debits (autoPay) or standing instructions to make regular payments from your account. You can also pay with a debit card or by writing a cheque.



Keep your money protected and secure

Bank deposits in Hong Kong are protected by the Deposit Protection Scheme (DPS) for up to HKD800,000 per financial institution.

Protecting your future

The older we get, the more we have to protect.

When things go wrong in life, insurance is there to help you cope with them. Insurance involves paying a regular (e.g. annual) or one-off fee to make sure you're protected against risks or financial loss. Insurance can be used for things like protecting your possessions, such as your phone or jewellery, or to make sure your bills are paid if the worst should happen, such as an illness.



Travel insurance

Most travel policies will cover any lost or stolen bags with cash, valuables or your stolen passport in them, as well as the cost of a cancelled or delayed trip and the cost of medical care.



Home insurance

This covers the valuable belongings within your home (such as your clothes, furniture, jewellery and any electrical goods) if they are damaged or stolen.



Life insurance

This pays money to a dependent (i.e. a person who depends on your income) if you die unexpectedly. It can be paid in the form of a lump sum or regular payments over an agreed period.



Accident and disability insurance

This is designed to support you financially if you can't work due to illness or injury.



Health and medical insurance

This is designed to cover your medical expenses as a result of illness or your surgical expenses while you're in hospital.



Critical illness

This covers you if you develop certain types of life-changing conditions. It will provide a lump sum if you suffer from a serious illness like cancer or a heart attack, for example.



Important things to know about insurance

- Make sure you know when your cover starts and when it pays out
- Read your insurance documents fully so you know exactly what's covered
- Compare different companies before you commit, as policies can vary

Glossary:

Banking terms you need to know

▶ **Account number**

This is a unique 10- to 12-digit number for your bank account, which anyone paying money to you will need to know.

▶ **APR**

Annual percentage rate, or the amount of interest and fees you'll be charged in a 12-month period for a debt or loan.

▶ **ATM**

Automated teller machine, also known as a cash machine, which allows you to withdraw cash and use other banking services.

▶ **ATM card**

A card that allows you to withdraw money from your bank account through an automated teller machine (ATM).

▶ **Available balance**

The amount in your bank account that is available for you to spend. This takes into account any recent transactions that are yet to clear, such as debit card spending.

▶ **Balance (ledger balance)**

The actual amount held in your bank account at that time. There may be transactions that have not yet cleared, so it's also important to check the available balance.

▶ **Bank charge**

A fee that a bank charges its customers for various services and transactions. Common fees include card replacements, wire transfers and issuing a cashier's order or gift cheque.

▶ **Budget**

A way of planning for the money you have coming in and going out.

▶ **CCY**

Abbreviation for 'Currency' on a bank statement.

▶ CHQ

Abbreviation for 'Cheque' on a bank statement.

▶ CR

Abbreviation for 'Credit' on a bank statement.

▶ Credit card

A card that lets you borrow money up to a certain limit (i.e. credit) from a bank to pay for goods or services.

▶ Current account

The most common type of bank account, which allows you to manage your everyday money and expenses, such as making payments by cheque. It does not pay interest.

▶ Closing balance

This is how much money you had in your account at the end of the statement period.

▶ Debit card

A card that lets you pay for purchases by deducting money from your bank account.

▶ DR

Abbreviation for 'Debit' on a bank statement.

▶ Direct debit

Authorises a merchant or organisation to collect money from your account, usually on a specific date, which allows you to automate paying bills (such as utility bills or a gym membership). In Hong Kong, it's known as a type of 'Autopay' service.

▶ Insurance

A way to protect yourself against the financial loss of something going wrong. Insurance guarantees compensation for specific loss, damage, illness or death in return for paying a specific premium.

▶ Interest

The reward paid for saving money, and the 'cost' of borrowing money.

▶ Internet banking

A method of banking that allows you to access your bank accounts online. You can use internet banking to make payments, transfer money and apply for certain financial products.

▶ Joint account

A bank account that is shared by more than one person, who have equal rights in how it is used.

▶ Mortgage

A financial product that allows you to borrow the money you need to buy your own home.

▶ Opening balance

This is how much money you had in your account at the start of the statement period.

▶ Payments in

'Credits' on a bank statement. The total amount paid in over the statement period – this might include your salary or benefits.

▶ Payments out

'Debits' on a bank statement. The total amount you've paid out over the statement period – this could include things like shopping, money withdrawn at ATMs and regular direct debits or standing instructions.

▶ PIN

Your personal identification number – normally, a four- or six-digit security number that allows you to use chip and pin cards. Always keep your PIN safe, and never share PINs or passwords with anyone.

▶ Standing instruction

An instruction to pay a specific amount from your bank account to another person's account regularly.

▶ Statement

A document received from your bank showing all of the transactions on your account for that period.

▶ SWIFT code

A code used to identify a specific bank during an international transaction, consisting of 8 to 11 characters.

▶ Two-factor authentication

Where two forms of identification are required to access mobile banking, such as a password and a biometric password (e.g. face ID, voice ID).