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## **Banks Versus Credit Unions**

What's the difference? You might be surprised. I'll illustrate and cover some differences and similarities.

They are both in business to make money. They make money by borrowing from depositors, paying interest on the deposits, and then invest the money into loans and other types of income-generating assets.

Banks are usually corporations owned by shareholders, who have voting rights tied to the number and type of shares that they own.

A bank is a for-profit organization and, when applicable, pay Federal and State income taxes.

Credit unions are generally owned by their customers, called members. Each member, regardless of how much money on deposit, gets one vote in electing board members.

A credit union is a non-profit. They pay no Federal or State income taxes.

It's possible for credit unions to pass that tax savings along to their members in the form of lower interest rates for a car loan, and higher interest rates on a savings account

Usually board members of banks are paid for their service, while those on a credit union's board may volunteer their time.

Banks are generally designed to assist from large corporations to small checking accounts.

Credit unions offer similar checking and savings accounts as banks do, but principally service individual consumers who need financing to buy a new refrigerator, a car, etc.

Not all, but some banks and credit unions offer services beyond checking, and savings. They may include mortgages, HELOC, personal loans, etc.

If they have a financial planning facility, that makes them into what is referred to as a full-service facility.

A full-service facility can frequently offer stocks, bonds, variable and fixed annuities, mutual funds, life insurance, managed money, trust services, financial planning, and other services similar to investment brokerage and insurance companies.

For instance, in Manatee County, Florida, the Wells Fargo Bank owns their brokerage arm called Wells Fargo Advisors. This could be considered a full-service bank.

Also, in Manatee County, the Manatee Community Federal Credit Union has an affiliation with Raymond James, where their financial planners are located within the credit union building. This could be considered a full-service credit union.

Generally, banks and credit unions insure deposits of up to \$250,000 per account. If you have more than \$250,000 in checking, savings, etc, it is recommended to open accounts in different names or combinations of names. Check with the institution for further details.

Both banks and credit unions are regulated by various agencies of the Federal Government and the States.

Banks are generally insured by the Federal Deposit Insurance Corporation, FDIC, an agency of the Federal Government. The insurance is backed by the FDIC. See [fdic.org](http://fdic.org)

Credit unions are generally insured by the National Credit Union Administration, NCUA. The insurance is backed by the full faith and credit of the U.S. Government. See [NCUA.org](http://NCUA.org).

Banks and credit unions may issue both debit cards and credit cards useable at many locations worldwide.

A bank, with the appropriate charter and approval, can generally open offices nearly anywhere to service customers.

A credit union may have limitations of who can be a member depending upon its charter. For instance, a credit union might only allow those living in a specific county to be a member since that group forms a common bond.

Credit unions are trying to diversify into the bank's business by authorizing multiple common bonds. They also seek to pursue business lending.

Banks hold many times more in assets than credit unions. Banks often have many branches with centralized facilities for handling the paperwork involving loans, mortgages, etc.

Credit unions usually have far less in assets. Credit unions may have only one or a few branches where paperwork may be handled on a more local basis.

Banks have the convenience of an ATM or a branch it seems around every corner.

Credit unions are far fewer in number but some have joined forces to offer their members easier cash access.

As you can see, the lines of distinction are getting blurry.

Each bank and credit union has its own personality. One may be friendlier than the other, offer better hours, have drive-up tellers, better rates, more convenient, hot coffee, etc.

Which is best? It depends. Check each out. In the end, choose one or maybe use both.

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