ALSO INSIDE: Money Tips for Shoppers • Fraud Alert • News Briefs

FDIC Consumer News

Fall 2006

Avoiding Costly Banking Mistakes: No Trivial Pursuit

Clues to preventing expensive errors. After all, this isn't play money!

Your late bill payments have reduced your credit score. Pay more for a loan.

You've overdrawn your checking account. Pay a fee for each bounced check.

DEBIT CARDS

CREDIT CARDS

CREDIT REPORTS

COLLECT INTEREST PAYMENT

Avoiding Costly Banking Mistakes: No Trivial Pursuit

Here are clues to preventing expensive errors with your checking account, credit card or other financial services. After all, this isn't play money!

To err is human…and sometimes it can be expensive. That's the case for many consumers who have to pay fees and penalties because of mistakes they've made when using their checking account, credit card or other banking services.

FDIC Consumer News wants to help you make smarter decisions and avoid some of these mistakes. So, we've compiled a list of some of the more common and costly slip-ups. Follow our tips and you can enjoy a more satisfying banking relationship and keep more of your cash.

Not checking up on your checking account

Many people write checks and use their debit card without paying attention to their account balance. The results can be costly and may include fees from $20 to $35 for each "bounced" check you write when you don't have enough money in your account. Similar fees can be imposed if you overdraw your account using your debit card at the ATM. There may also be fees if your checking account goes below a required minimum balance. And, if you fail to spot fraudulent transactions, fixing those can be costly and time consuming.

Your lack of attention could make a bad situation worse if fees are assessed for several days or even months. "Account holders can get very frustrated when they suddenly find out that multiple checks and payments have been returned, and a fee has been assessed for each one," said Eloy Villafranca, a Community Affairs Officer with the FDIC.

Villafranca recalled a situation involving a consumer who "was confident that her bank statements were correct so she didn't open them for six months." Unfortunately for her, a recurring, electronic payment she thought had been stopped continued to be charged against her account, and her account balance was lower than she thought. "As she wrote checks month after month," Villafranca explained, "she was being hit with charges for insufficient funds."

Be aware that if bounced checks are not repaid in a timely fashion they may become part of your record. That could make it difficult to get a merchant to accept your checks. And if your account is closed by the bank because of repeated problems with insufficient funds that you do not repay, you may have difficulty opening a new account elsewhere.

How can you avoid unnecessary costs?

• Keep your check register up to date. Deduct for all withdrawals — not only for checks but also for ATM transactions, bank fees and debit card purchases. Do not rely on your ATM receipt for balance information because it may not reflect outstanding checks or debit card transactions.

• Promptly compare your check register with your bank statement to look for errors or unauthorized transactions. Open and review your monthly statement as soon as it arrives in the mail or check your account information more frequently online or by telephone.

"Once I used my debit card to pay an $11 dry-cleaning bill and I was inadvertently charged $1,100," Villafranca said. "This could have caused a number of problems had I not gone online to check my account activity later in the day to pay a bill and noticed the error. I had the funds credited back to my account the next day." (Note: The federal Electronic Fund Transfer Act protects you against billing errors and unauthorized transactions by debit card and other electronic payment methods, but you must notify your bank within 60 days of the mailing of the account statement on which the transaction appears.)

• Take additional precautions to avoid fees for insufficient funds. For instance, make sure you have enough money in your account *before* you write a big check, use your debit card or arrange for an automatic payment. Also remember that, under federal rules that allow banking institutions to put a temporary "hold" on certain deposits, you may have to wait from one to five business days (in most situations) before you can withdraw funds deposited into your account, and longer in other circumstances (such as deposits over $5,000 or if your account has been repeatedly overdrawn).

Finally, consider other options for avoiding the costs of overdrafts as explained in the interagency brochure *Protecting Yourself from Overdraft and Bounced-Check Fees* (www.federalreserve.gov/pubs/bounce/default.htm).

Not considering fees when opening a bank account

A high interest rate or Annual Percentage Yield (APY) on a checking account is definitely an attention grabber. But that great rate shouldn't divert your attention from fees that can significantly reduce, if not

wipe out, your earnings. Examples include monthly fees for going below a minimum balance, monthly or quarterly "inactivity" fees if you've had no deposits or withdrawals for a certain time period, and annual service charges on Individual Retirement Accounts (IRAs). "For small accounts, these fees can make a big difference in the total return," cautioned Howard Herman, an FDIC Consumer Affairs Specialist.

For example, a $2,000 IRA with an APY of five percent and a $20 annual service fee "will earn $100 interest after a year but, after deducting the service fee, your actual return is four percent, not five percent," Herman said. "Under federal law, fees are not factored into APY calculations, so consumers are on their own when it comes to determining whether fees will have a negative impact."

To get the best deal possible, first think about how you plan to use the account and how much you expect to keep on deposit, then compare different accounts at a few different institutions. Do the math as best you can, figuring your interest earnings after a year and then subtract the estimated fees for services or a low balance based on your expected use of the account. Sometimes an account that pays no interest can be a better deal than an interest-bearing account that's heavy with fees you are likely to pay.

Also remember that just because an account is advertised as "free" or "no cost" doesn't mean you'll pay nothing. Under Federal Reserve Board rules, an account may be described as free even if certain fees are charged, such as for ATM withdrawals or overdrafts.

Paying your credit card bill late

Don't assume it's okay to be late with your card payment just because the minimum payment due is fairly small. In fact, you can be hit with fees or penalties any time you miss a payment deadline, even if it's only by a day.

You can expect a late-payment fee of about $30 or more. You may also face a major hike in your interest rate — often to between 29 and 35 percent — on this credit card and possibly other cards or loans, especially if your credit record shows other signs of risk. And if you're late paying by about a month or more, you might find your credit score reduced, which can make it harder or more expensive to get a new loan or even a new job or insurance (because prospective employers and insurers can review credit histories when deciding on applications).

What can you do to avoid or minimize late payment penalties — beyond just paying your bill on time? First, closely review your card member agreement so you know what may happen if you pay late. "The wrong time to question the consequences of a late payment is *after* you've missed the deadline," said Kirk Daniels, an FDIC Supervisory Consumer Affairs Specialist.

Also, if you haven't yet missed the deadline but you can't mail the payment on time, consider either making an online payment at your card issuer's Web site at least a day or two before the due date, or paying by phone by providing bank account information to authorize an electronic fund transfer from your checking account. "Even though there may be a small service charge for these options, it will likely be less than a late-payment fee," Daniels noted.

Other words of advice: If you're short on cash, it's better to pay at least the minimum amount due on time, rather than withhold payment entirely. And if you do pay late but it's a first-time or rare occurrence that was caused by unusual circumstances, call your card issuer immediately and ask what, if anything, they may be willing to do as a courtesy to a good customer.

Paying as little as possible on your credit card bill each month

It sounds like a good idea to pay your credit card company as little as possible each month so you can keep more money to spend on other things.

How to Sidestep a Misstep

Comparison shop for the best deals that fit your needs. Look at different types of accounts offered by your bank and a few competitors, and be sure to factor in the fees you're most likely to incur.

Read all the disclosures, from the highlighted details to the fine print. Before you open the account, know the features, fees and limitations so you can prevent misunderstandings and costly mistakes.

Monitor your accounts. Promptly review bank statements and other mailings. Consider reviewing your account activity online or by phone instead of waiting for statements to arrive in the mail. Look for what can — or did — trigger fees and penalties, so you can avoid unnecessary costs in the future. Contact your financial institution immediately if there's a problem.

Keep good records. Save copies of account descriptions, contracts and important receipts, which can come in handy if there's a question or a dispute.

But the reality is that the long-term costs of this strategy can be staggering.

"If you use a credit card to make a major purchase and each month you pay back only the minimum amount you owe, not only will it take you a very long time to pay off the balance but the total interest and fees can sometimes double the cost of what you purchased," said Janet Kincaid, FDIC Senior Consumer Affairs Officer.

For example, suppose you buy a computer for $1,000 and you only pay back the minimum required, which we'll say is $20 a month. At an Annual Percentage Rate (APR) of 18 percent, that $1,000 computer will cost you

continued on next page

$2,931 and take more than 19 years to pay off, which is about 15 years longer than you'll probably own the computer.

To minimize your costs, pay as much as you can on your credit card each month — pay the entire balance, if possible — to avoid interest charges. If you can't pay most or all of your credit card bill, try to pay as much above the minimum as possible. "Finding a way to pay a little more each month can make a noticeable difference in reducing your interest costs," Kincaid said. Using our previous example, raising your monthly payment from $20 to $50 will bring the total cost of a $1,000 purchase (including the finance charges) to $1,198, allowing you to pay off the debt in just two years.

However, if all you can afford to pay back each month is the minimum amount, pay that — and pay it on time — to avoid late fees and a bad mark on your credit record, which in itself can be costly.

Signing up for a new credit card without understanding the costs

You've probably seen or heard of all kinds of incentives to convince people to apply for a new credit card or switch from one card to another. Among them: "zero-percent interest" for a certain amount of time on new purchases or a balance transferred from a competitor's card, "no payments" on purchases until the next year, "earn more points" for free travel, or get a free T-shirt if you apply for a new card. Sounds great, but these freebies could end up being expensive, especially if you don't follow the rules of the new card.

"While there are good deals out there on new credit cards, it pays to shop around for a card that best fits your circumstances," said Kincaid. "Also be sure to read the highlighted disclosures as well as the fine print because an uninformed decision can be costly."

For example, let's say you choose a card with a "grace period" (a certain number of days you have to pay the balance before incurring interest or fees) but, after a few months, you decide not to pay your bill in full. With some cards, the issuer might *retroactively* charge interest on the balance from the previous month, thus eliminating the earlier grace period.

If you get a new credit card promoting zero-percent interest on new purchases and you don't pay off the *entire balance* by the due date (typically after six to 18 months), you may be charged interest on all your original purchase amounts — not just on your remaining balance — retroactive to the original purchase date. The resulting costs could be more than if you had used a card without a zero-percent offer.

Or, suppose you agree to your card company's offer to "upgrade" to a new version of your card and you don't take the time to study the new card's restrictions or fees, as sometimes happens when customers quickly say "yes" to an offer from a customer service representative over the phone. You might be giving up a better deal you had with your old card. "Make sure the upgrades are what you need and will use," said Kincaid.

What can be bad about signing up for new cards only to take advantage of an introductory offer or even a free T-shirt? Well, you can reduce your credit score and make it costlier to get a loan because each credit card represents money that you *could* borrow — even if you intend to rarely use the card. To lenders, too many cards in your wallet may mean you could have problems repaying a loan, and that's a reason to charge you a higher interest rate.

"Repeatedly signing up for new cards — even to keep introductory rates going — can give lenders the impression that you may be desperate for funds," said Villafranca. "Unfortunately, some people only realize that they've lowered their credit score after they apply for a mortgage and are penalized with a higher interest rate."

Finally, some people transfer a balance from one credit card company to another to take advantage of a low interest rate (say, 2.9 percent) or even zero-percent interest on the balance transferred, but they may end up paying more in other charges than if they had stayed with their old card.

Not reviewing your credit report

Many people never or rarely look at their credit report (a history of paying debts and other bills) or their credit scores (numerical ratings of credit reports) until they apply for a loan or they have been denied a loan. By then, it's often too late because inaccurate or missing information in your credit report could raise your borrowing costs or cause delays when you're in a rush to make a major purchase, like a new home.

Example: The home of your dreams just went on the market, so you apply for a mortgage. You're sure your credit record is in great shape so there's no need to worry about getting a good deal on a loan. But then you're quoted a rate on a mortgage loan that is much higher than you expected or, worse yet, you are denied a loan! What went wrong? It could be that your credit report contained incorrect information. By the time you can get your report corrected and your credit score increased, it's possible that your dream house was sold to someone else.

Solve this problem by taking advantage of your right under federal law to obtain one free copy of your credit report each year from each of the three nationwide credit bureaus (Equifax, Experian and TransUnion). Periodically review your report and correct any omissions or errors, especially before you apply for a home loan or seek some other benefit where your credit report could affect the outcome. Doing so can boost your credit score enough to save you hundreds of dollars each year in interest or other charges.

"Some people who get 'subprime' loans, which cost a lot more than most loans, would qualify for lower-cost prime-rate loans if errors in their credit reports were corrected," said Mira Marshall, an FDIC Senior Policy Analyst on consumer protection issues.

Another benefit of reviewing your credit report is that you'll be better prepared to protect yourself from "predatory" lenders who try to trick cash-strapped consumers into accepting high-cost home loans. "Some people who don't know they have a good credit history can be deceived into believing an expensive loan is their only choice," Marshall explained.

Kincaid added that if you apply for insurance or a job, the insurance company or future employer can review your credit report as part of its consideration of your financial responsibility. "You wouldn't want to lose a good job opportunity or a low premium on an insurance policy because of some erroneous information on your credit report," she added.

For more information about ordering your free report, go to www.AnnualCreditReport.com or call toll-free 1-877-322-8228.

Getting a nontraditional mortgage without understanding the costs

In addition to "traditional" mortgages, which are typically fixed- or adjustable-rate loans for 15 or 30 years, many lenders now offer other mortgages with new features that may be good options for some borrowers but costly mistakes for others.

Nontraditional mortgages generally enable borrowers to lower their monthly payments in the early years in exchange for larger payments later on. An "interest-only mortgage" lets you pay back only the interest on the loan for several years without paying any principal (the amount of money you borrowed). A "payment-option loan" allows you to decide how much to pay from one month to the next based on choices that range from a full monthly payment (what you'd normally pay in principal and interest with a traditional mortgage) to a minimum payment that may not even cover the interest due. Any shortfall is added to your loan balance. Payment-option mortgages usually have adjustable interest rates.

What are the biggest concerns with these types of loans? "Borrowers may experience payment shock if they aren't prepared for increased payments after an initial or promotional period," said Marshall.

For example, let's say a family borrows $200,000 using a 30-year, payment-option mortgage, with a five-year promotional period. For the first five years, they pay only the minimum amount due of $650 a month. That payment isn't enough to cover the interest actually being charged. The unpaid interest during those five years — figure about $16,000 — is added to the loan balance. "At the end of the five years, the borrower will be paying the loan at a higher interest rate and on a larger loan amount," Marshall said. In this example, starting in the sixth year, the family's minimum monthly payment will surge to about $1,600, more than double what they were paying before.

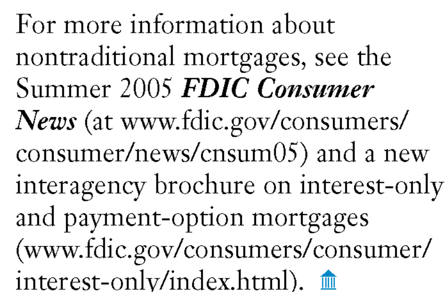
To protect yourself from unexpected costs with a nontraditional loan, be sure to ask the lender these two questions before agreeing to anything:

What will my monthly payments be at different times during the life of the loan? Find out when your payments will or could change, and how much higher the payments would be under different scenarios, such as if you only send in the minimum amount due in the early years or if interest rates go up dramatically. Think carefully about getting a nontraditional loan if you have doubts about your ability to pay more than the minimum payments in the future.

Does the mortgage have a prepayment penalty? If you pay off some mortgages early (say, within the first three years) by refinancing or selling your home, you may be charged a penalty that can amount to several thousand dollars. Some lenders offer loans with a prepayment penalty at lower interest rates than similar loans without the penalty. These can be a good deal if you don't expect to move within the penalty period, but triggering the penalty can make it more expensive to refinance the loan and can reduce your proceeds if you sell the house.

Also think twice before applying for another nontraditional mortgage that involves little or no documentation of income or assets. While these loans can save you time and are attractive if your source of income is unpredictable, the lender generally charges a higher interest rate. "If you have income that's easy to document, such as regular statements from your employer or a monthly Social Security payment, it's probably not worth paying extra over the long term of the loan just to save a few days during the application period," Marshall said.

For more information about nontraditional mortgages, see the Summer 2005 ***FDIC Consumer News*** (at www.fdic.gov/consumers/consumer/news/cnsum05) and a new interagency brochure on interest-only and payment-option mortgages (www.fdic.gov/consumers/consumer/interest-only/index.html).



How the FDIC Can Help You Avoid Costly Mistakes

- See consumer information on the FDIC Web site at www.fdic.gov/quicklinks/consumers.html.
- Read our quarterly newsletter ***FDIC Consumer News***. Find back issues online at www.fdic.gov/consumers/consumer/news and sign up for a free e-mail subscription service at www.fdic.gov/about/subscriptions/index.html.
- Get answers to questions by phone (toll-free 1-877-ASK-FDIC or 1-877-275-3342) or by e-mail (start at www2.fdic.gov/starsmail/index.html).

Fraudulent E-Mails Claim to Be From the FDIC

Con artists know that people trust the FDIC name. That's why the FDIC wants you know that, in recent months, thieves have used our name in fraudulent e-mails trying to obtain valuable information from consumers and businesses.

In some examples, e-mails appearing to be from the FDIC encouraged recipients to click on a link to "enroll" in an "FDIC protection system" to insure bank accounts. Once on that next page — a fake FDIC Web site — people were directed to provide confidential information about their online bank account. Other fraudulent e-mails claiming to be from the FDIC asked consumers to download software supposedly needed to prevent online banking fraud. In fact, doing so would install malicious software that can collect confidential information used to access online bank accounts or steal identities.

How can you protect yourself from these fraudulent e-mails? "First, remember that the FDIC does not e-mail consumers to request personal information nor does it provide software for banking or security purposes," explained Michael Benardo, manager of the FDIC's financial crimes section. "If you get this sort of e-mail appearing to be from the FDIC, you should assume that it is fraudulent." To report a fraud or get additional information, send an e-mail to the FDIC financial crimes unit at alert@fdic.gov or call the FDIC toll-free at 1-877-ASK-FDIC (1-877-275-3342).

Beware of Phone-Based "Vishing" Scams

The FDIC has warned numerous times about "phishing" scams in which crooks send e-mails claiming to be from legitimate financial institutions, companies or government agencies asking consumers to "verify" or "re-submit" confidential information such as bank account and credit card numbers, Social Security Numbers, passwords and personal identification numbers. (The term "phishing" is a high-tech variation of the concept of "fishing" for personal information.) Now, the FDIC wants you to know about "vishing," which stands for "voice phishing."

In the typical vishing scam, consumers receive an e-mail supposedly from a financial institution or government agency asking them to call a phone number to provide bank account and other "needed" information using their telephone keypad. Once entered into the automated response system, the information can be used by the crooks to gain unauthorized access to bank accounts or commit identity theft.

The bottom line: Don't call telephone numbers provided in unsolicited e-mails to provide personal identification. When in doubt, contact your financial institution using the telephone number provided in your monthly statements or on the back of your credit or debit card — NOT the number listed in the e-mail.

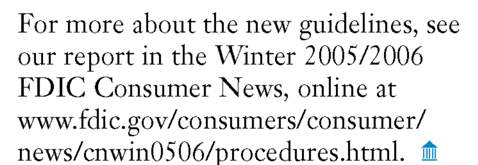
New Safety Procedures for Internet Banking

Here is both a reminder to Internet banking customers be on the lookout for new safety procedures required by the federal government, and a warning that fraud artists may try to take advantage of the situation to trick consumers into divulging valuable personal information.

As previously reported in ***FDIC Consumer News***, starting January 1, 2007, new federal guidelines will require banks to protect high-risk Internet services by using more than just passwords to identify real customers from hackers. Banks will have a variety of options, some of which will operate behind the scenes, but others will be noticeable to customers, such as using "tokens" that generate a unique access number for each Internet transaction or requiring answers to detailed questions before giving access to an account.

"Whatever system your bank chooses, it will most likely contact you by letter or e-mail to advise you of the enhanced security procedures and what you may need to do," said Jeff Kopchik, a Senior Policy Analyst for technology issues at the FDIC.

In that regard, the FDIC and other banking regulators are concerned that thieves posing as bankers will e-mail or call consumers asking them to "enroll" in the new security program by providing personal information (such as a password) or clicking on a link in an e-mail that appears to be legitimate but actually gives the crooks the ability to spy on a personal computer. "Don't be fooled by these e-mails or phone calls," Kopchik said. "Your bank will never contact you to ask for your password because it already knows that information. You also should always go to your bank's Web site by typing in the correct Internet address yourself, not by following a link in an unsolicited e-mail, which may be fraudulent."



For more about the new guidelines, see our report in the Winter 2005/2006 FDIC Consumer News, online at www.fdic.gov/consumers/consumer/news/cnwin0506/procedures.html.

NEWS BRIEFS

Update on Higher Coverage for Retirement Accounts

Readers of ***FDIC Consumer News*** know that as of April 1, 2006, FDIC insurance coverage for certain retirement deposits increased from $100,000 to $250,000. The basic insurance coverage for other deposit accounts remains at $100,000 per depositor but, as before, there are ways to qualify for more than the basic coverage. Now here's an update:

In September, the FDIC further clarified which retirement accounts qualify for the $250,000 coverage. They include traditional and Roth IRAs (Individual Retirement Accounts), Simplified Employee Pension (SEP) IRAs, and Savings Incentive Match Plans for Employees (SIMPLE) IRAs. Also included are self-directed Keogh accounts, "457 Plan" accounts for state government employees, and employer-sponsored "defined contribution plan" accounts that are self-directed, which are primarily self-directed 401(k) accounts and include SIMPLE 401(k) accounts. In general, self-directed means that the consumer chooses how and where the money is deposited.

As a result of the new rules, the FDIC has been updating its brochures and videos, the online Electronic Deposit Insurance Estimator (EDIE) and other resources for consumers about deposit insurance coverage. These resources can be viewed on the FDIC's Web site at www.fdic.gov/deposit/deposits. For more help or information, call the toll-free telephone number in the box on the right.

New Law Promotes Retirement Savings

A massive new law aimed primarily at protecting workers' pensions also includes provisions that encourage saving for retirement and education.

The federal Pension Protection Act of 2006, which became law on August 17, makes permanent various programs that had been due to expire at the end of 2009. These include tax-free withdrawals from "529-plan" college savings accounts and higher annual limits for contributions to 401(k) retirement plans. The law also features authority for employers to automatically enroll employees in 401(k) savings plans instead of requiring the worker to sign up on their own.

New Options for Direct Deposit of Tax Refunds

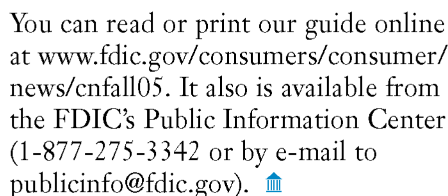
For years, taxpayers wanting to receive their federal income tax refund by direct deposit have had only one choice — to send the money to one checking or savings account. But starting January 1, 2007, the Internal Revenue Service will give taxpayers new flexibility to split their refunds in up to three different accounts and three different U.S. financial institutions The IRS said the change "will give taxpayers more options for managing their refunds, teamed with the speed and safety of direct deposit."

For more details, go to the IRS Web site at www.irs.gov and search for information about Form 8888.

Guide for Seniors Wins Consumer Award

The ***FDIC Consumer News*** special issue devoted to helping seniors and their families make smart decisions about retirement savings and daily money management has won a 2006 Achievement in Consumer Education Award from the National Association of Consumer Agency Administrators, which represents more than 160 consumer agencies at all levels of government in the United States and several other countries.

You can read or print our guide online at www.fdic.gov/consumers/consumer/news/cnfall05. It also is available from the FDIC's Public Information Center (1-877-275-3342 or by e-mail to publicinfo@fdic.gov).



FDIC
Consumer News

Published by the Federal Deposit Insurance Corporation

Sheila C. Bair, *Chairman*

Elizabeth Ford, *Assistant Director, Office of Public Affairs (OPA)*

Jay Rosenstein, *Senior Writer-Editor, OPA*

Mitchell Crawley, *Graphic Design*

FDIC Consumer News is produced quarterly by the FDIC Office of Public Affairs in cooperation with other Divisions and Offices. It is intended to present information in a nontechnical way and is not intended to be a legal interpretation of FDIC or other government regulations and policies. Mention of a product, service or company does not constitute an endorsement.

This newsletter may be reprinted in whole or in part. Please credit ***FDIC Consumer News***.

Send comments, suggestions or questions to: Jay Rosenstein, Editor, ***FDIC Consumer News***
550 17th Street, NW, Room 7100
Washington, DC 20429
jrosenstein@fdic.gov

Find current and past issues of *FDIC Consumer News* at: www.fdic.gov/consumernews.

To receive an e-mail notice about each new issue with links to stories, follow instructions posted at: www.fdic.gov/about/subscriptions/index.html.

For More Information from the FDIC

Go to www.fdic.gov or call toll-free 1-877-ASK-FDIC— that's 1-877-275-3342 — Monday through Friday 8:00 a.m. to 8:00 p.m., Eastern Time.

A Shopping List: Money Tips for the Holidays…and Year-Round

FDIC Consumer News wants to help you manage and spend your money wisely, whether it's during the holiday shopping season or any time of the year. So, here's a list of spending tips you can use all year-round.

Create a budget. Before going shopping, determine how much you can afford to spend. Keep track of your spending as a way to help you set and stick to limits.

Research before you buy, especially with big purchases. Read reviews in magazines or respected Web sites, talk to knowledgeable people, compare prices offered by several stores, including online merchants.

Consider using a credit card if you're concerned about a problem with a purchase. Under the federal Fair Credit Billing Act, you have the ability, in certain circumstances, to withhold payment on defective merchandise until the problem has been corrected. That's not the case if you use a check or cash.

Be careful about going into debt. If you decide to pay by credit card or get a loan, decide how much you can afford without getting too deeply in debt. "You may want to plan on paying off holiday debt before the holidays next year, if not sooner," said Luke Reynolds, an FDIC Community Affairs Specialist.

Protect your personal information. Identity thieves who learn your private information can use it to withdraw money from your bank account or obtain — and use — a new credit card in your name. You can minimize your risk of becoming a victim by protecting your Social Security Number (SSN), credit card and debit card numbers, passwords and other personal information when shopping around town or online. For example, don't carry your SSN and unneeded credit cards in your purse or wallet, which can be lost or stolen. For more on protecting against ID theft, go to www.fdic.gov/quicklinks/consumers.html, which also includes guidance from agencies such as the Federal Trade Commission.

Remember that gift cards may come with costs or restrictions. "It's especially important to ask if the gift card has an expiration date or if fees will be assessed when the card is purchased or used — or even if it is not used within a certain time frame," said Reynolds. While some states have laws that may prevent a gift card from expiring, "in other states you can lose the balance left on the card after a certain time period," he added.

Consider giving gifts to children that encourage saving. "Ideas may include a U.S. Savings Bond or a book that reinforces financial responsibility," Reynolds said.