you'll see, there are a few things you should know before deciding which type of account is best for you.

The simple, straight-forward, no-nonsense checking account is still widely available, although it seems to be going the way of the rotary dial telephone. The basic checking account offers little or no interest; it merely serves as a clearing house for your expenses. The practice of checkbook balancing stems from the once-common process of transferring enough funds from an interest-bearing savings account to cover all checking activity; most banks, you'll find, now offer combined, interest-bearing checking and savings accounts, which will eventually render obsolete the traditional checking account.

If you're determined to save your money the old fashioned way (in a plain, old passbook savings account), you'll likely encounter four different methods of interest payment. The most common method–Day of Deposit to Day of Withdrawal–is also the most lucrative; under this system, your interest payments are computed on the basis of a day-to-day balance. Some banks pay customers on a Minimum Balance Method, whereby your interest is assessed against the lowest balance on deposit during a specified interest period; assuming a constant interest rate, Minimum Balance customers will earn the lowest possible interest of any passbook system. You might also encounter the First-In, First-Out method of interest calculation ("Fifo"), and the Last-In, First-Out system ("Lifo"). Interest-bearing accounts under the Fifo system are calculated under the bank's assumption that all withdrawals come from the earliest deposits in an interest period (usually 90 days); conversely, banks that compute interest on the Lifo system assume any withdrawals are made from the last deposit. Both accounting systems yield far less than the more desirable Day of Deposit to Day of Withdrawal, though somewhat more than Minimum Balance accounts.

Most banks and financial institutions now offer money market management funds to investors with as little as $1000, and you might want to consider opening such a fund to take advantage of the high interest rates (generally two- to three-times higher than those paid in a passbook savings account). A money market fund functions as a sort of joint checking and savings account, with your money being invested by the bank or financial institution in short-term debt certificates. Some money market funds offer clients brokerage services in addition to the higher interest rates, a feature that will come in handy when it comes time to make further investments.

One of the more popular types of savings accounts is a negotiable order of withdrawal, more commonly known as a NOW account. A NOW account is simply a checking account that pays interest, allowing you to combine your checking and savings activity in one account. Technically speaking, a NOW check is nothing more than a negotiable order to withdraw money from your savings account, but is as widely accepted as an ordinary check. Though interest rates are nearly the same as those offered to passbook savers, there are sometimes penalties assessed to customers who dip below a minimum amount on deposit.

Those with longer-term savings needs will want to consider certificates of deposit —or CDs: a time deposit account requiring the depositor to leave money in the account for a minimum period of time. These certificates offer a higher rate of interest than a general passbook savings account, although there are penalties for early withdrawal.

Most large companies offer employees a payroll savings plan, deducting monies from paychecks before they're issued; some companies, too, provide direct deposit service with selected banks, allowing employees to earn interest on their paychecks immediately upon issue.

Check with your local bank to see which accounts are best for you. Some banks offer additional services (24-hour banking, personalized service) that may compensate for lower interest rates.

CASE IN POINT

It's hard enough getting your finances in order when you have a fixed income, but for James Denn, a 25-year-old musician from San Antonio, Texas, a regular salary is a luxury he can't assume. "You definitely shouldn't be discouraged," Denn counsels others on the self-employment circuit. "You can make it as a freelancer, it just takes a little time. And you have to stick with it. That's something they [banks and lending institutions] want to see. They want to see that you've been working in a field and making a living at it."

Along with his wife, Valerie, Denn travels around San Antonio playing 30s and 40s nostalgia music in clubs, with an occasional wedding or private party thrown in here and there. In between gigs, he teaches saxophone and flute to 25-30 students each week.

"Our main problem came when we decided to buy a house," Denn says. "There were a lot of hassles trying to get money, trying to tell them what we did for a living, and that being self-employed really did work for us, and that we were economically stable."

The Denns eventually did buy a house with a $4000 down payment and a 7.25% mortgage for the first year (which will climb to 12.25% by the third year). The cost of the house was $54,000, and their monthly mortgage payments are now $500. The couple sang for their supper (and the roof over their heads) to the tune of $25,000 last year.

"Now that we've been here, and in our first house, we don't have any problems," Denn says. "We've put a couple of years behind us. It's just those first few years that are a real problem, because once you have your tax returns to show people, then you really don't have a problem. It's just getting two years of tax returns showing that you really do make your money this way. That's what they want to see.

"It seems to me like it's just a kind of game with the bank. They just need to have on paper that you actually make as much