# Know Your CHECKING ACCOUNT

**BROUGHT TO YOU BY** 





# Understanding OVERDRAFT

An overdraft occurs when you spend more money than you have available in your checking account, resulting in a negative balance

Most financial institutions offer overdraft protection, but relying on this service without fully understanding how it works can create a cycle of overdraft and NSF (non-sufficient funds) fees that's hard to break out of

## **OVERDRAFT SCENARIOS**



ACCOUNT BALANCE IGNORANCE

Not keeping track of your account totals



**HOLD ON** 

Making purchases that place holds on your account



PROCESSING LIMITATIONS

Spending money before a paycheck has cleared

## **OVERDRAFT PROTECTION**



Let's say that you're buying a brand-new gadget at the store. Your last paycheck hasn't cleared, so you're unaware that your current available balance is only \$150. The gadget costs \$160. You pull out your debit card and...





# WITH OVERDRAFT PROTECTION

The transaction goes through

# WITHOUT OVERDRAFT PROTECTION

Your card gets declined and the transaction does not go through

## WITH OVERDRAFT PROTECTION

Depending on how your financial institution handles overdraft situations:

Funds are transferred from your savings account to cover the transaction

OR

Your account then becomes overdrawn, resulting in a negative balance



## **BENEFIT**

You avoid the inconvenient situation of having your card declined





## **BENEFIT**

You avoid a negative balance and any potential NSF (non-sufficient funds) fees that go along with it





## **CONSIDERATIONS**

You may be charged an overdraft fee

You may be charged an NSF (non-sufficient funds)
fee for having a
negative balance

You may also be charged a recurring fee until your balance is positive

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If you frequently overdraw your account, you may be able to pay a monthly fee to reduce your total fee costs



## **CONSIDERATIONS**

Having your card declined can be inconvenient and embarrassing

In emergency situations, it can be extremely troubling

## DID YOU KNOW?

According to Regulation E, consumers have the ability to opt out of overdraft protection for any debit card or ATM transaction

## HOW TO STAY AHEAD OF THE FEES



### **SET UP ALERTS**

Most financial institutions will allow you to set up alerts that will inform you of your balance



## **BORROW BETTER**

To protect yourself from the high costs of fees, consider taking out a credit card with a low interest rate for emergencies



# BALANCE YOUR CHECKBOOK

This will give you a firm knowledge of how much money is in your checking account

# Balance Your CHECKBOOK

## BALANCE YOUR CHECKBOOK

### WHAT YOU'LL NEED



Your most recent statement and/or canceled checks



A checkbook balancing form



Your checkbook register

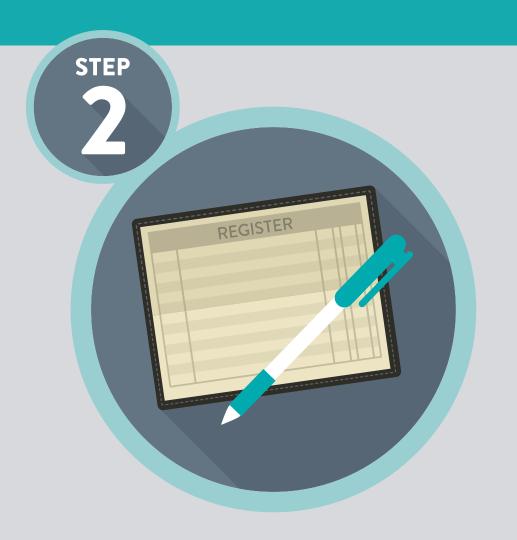


A calculator and a pencil



# RECONCILE YOUR CHECKS

Determine if there are checks that haven't cleared your account



# RECONCILE YOUR DEPOSITS

Make sure each deposit shown on your statement is recorded in your checkbook register



# RECONCILE YOUR ATM WITHDRAWALS AND DEBIT CARD PURCHASES

Go through the same process with your ATM withdrawals and debit card purchases



# RECORD INTEREST EARNED AND FEES

Check your statement for any other fees and record them in your checkbook register

### **CHECKBOOK BALANCING FORM**

Amount

## **Outstanding Deposits Outstanding Checks** (not included on vour statement) (not included on your statement) Date Amount Check Number Total Total

1. Ending balance from your bank statement	\$
2. Add total outstanding deposits	+
3. Subtract total outstanding checks	-
Ending balance (should equal your checkbook balance after you record interest and fees in your checkbook register)	=

## LIST OUTSTANDING **DEPOSITS**

Go through your checkbook register and in column one of the checkbook balancing form, list any outstanding deposits

### **CHECKBOOK BALANCING FORM**

Outstanding Deposits (not included on your statement)			Outstanding Checks (not included on your statement)		
Date	Amount		Check Number	Amount	
		-			
		-			
		-			
		-			
		-			
		-			
		-			
		ŀ			
		-			
		ŀ			
Total			Total		

1. Ending balance from your bank statement	\$
2. Add total outstanding deposits	+
3. Subtract total outstanding checks	-
Ending balance (should equal your checkbook balance after you record interest and fees in your checkbook register)	=

# LIST OUTSTANDING CHECKS

In column two of the balancing form, list your outstanding checks, as well as any outstanding debit purchases or ATM withdrawals

### **CHECKBOOK BALANCING FORM**

Outstandir (not included on	ng Deposits your statement)	Outst (not inclu
Date	Amount	Check Nu
Total		Total

Outstanding Checks (not included on your statement)				
Check Number	Amount			
Total				

1. Ending balance from your bank statement	\$
2. Add total outstanding deposits	+
3. Subtract total outstanding checks	-
Ending balance (should equal your checkbook balance after you record interest and fees in your checkbook register)	=

# RECORD YOUR ENDING BALANCE

On line 1 of the bottom section of the checkbook balancing form, enter the ending balance shown on your statement

### **CHECKBOOK BALANCING FORM**

Outstandin (not included on	ng Deposits your statement)	Outstand (not included or	ing Checks your statement)	
Date	Amount	Check Number	Amount	
Total		Total		
IOTAI		Iotai		
1. Ending balance	Ending balance from your bank statement			
2. Add total outstanding deposits			+	
3. Subtract total outstanding checks			-	
balance after y	Ending balance (should equal your checkbook balance after you record interest and fees in your checkbook register)			

# ENTER OUTSTANDING DEPOSITS

On line 2 of the bottom section of the checkbook balancing form, enter the total outstanding deposits from column one

#### CHECKBOOK BALANCING FORM

	Outstanding Deposits (not included on your statement)				
	Date	Amount		Check Number	Amount
	Total			Total	
	Iotal		l	Iotai	
1.	Ending balance from your bank statement			\$	
2.	2. Add total outstanding deposits			+	
3.	3. Subtract total outstanding checks			-	
4.	Ending balance (should equal your checkbook balance after you record interest and fees in your checkbook register)			=	

# ENTER OUTSTANDING CHECKS

On line 3 of the bottom section of the checkbook balancing form, enter the total outstanding checks from column two

### **CHECKBOOK BALANCING FORM**

Outstandin (not included on	g Deposits your statement)	Out (not inc
Date	Amount	Check N
Total		Tot

Outstanding Checks (not included on your statement)				
Check Number	Amount			
Total				

Ending balance from your bank statement	\$
2. Add total outstanding deposits	+
3. Subtract total outstanding checks	-
Ending balance (should equal your checkbook balance after you record interest and fees in your checkbook register)	=

# CALCULATE YOUR BALANCE

Use a calculator to total lines 1 through 3, as indicated by the plus and minus signs on the form, and enter the new total on line 4

#### CHECKBOOK BALANCING FORM

Checks

Outstanding Deposits (not included on your statement)			Outstandi (not included on	nç yo
Date	Amount		Check Number	
Total			Total	

1. Ending balance from your bank statement	\$
2. Add total outstanding deposits	+
3. Subtract total outstanding checks	-
Ending balance (should equal your checkbook balance after you record interest and fees in your checkbook register)	=

# CALCULATE YOUR BALANCE

Your new total should equal the balance shown in your checkbook register; if it doesn't, figure out what's at cause—sometimes it's an entry error or a slip-up in your math, but it could be an error by your financial institution

### **BROUGHT TO YOU BY**



Sources: CreditCards.com, Forbes

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