

*Know Your*  
**CHECKING ACCOUNT**

BROUGHT TO YOU BY



- IT'S A -  
**MONEY  
THING®**

*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**

**VS.**

**OPTING OUT**

**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**





## WITH OVERDRAFT PROTECTION

### BENEFIT

**You avoid the inconvenient situation of  
having your card declined**





## WITHOUT OVERDRAFT PROTECTION

### BENEFIT

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





## WITH OVERDRAFT PROTECTION

### 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**

—

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



## WITHOUT OVERDRAFT PROTECTION

### 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*

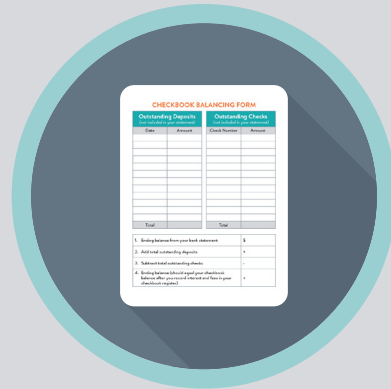
*Balance Your*  
**CHECKBOOK**

# 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*

STEP

1



## RECONCILE YOUR CHECKS

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



STEP

2



## RECONCILE YOUR DEPOSITS

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

STEP

3



## RECONCILE YOUR ATM WITHDRAWALS AND DEBIT CARD PURCHASES

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

STEP

4



## RECORD INTEREST EARNED AND FEES

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



STEP  
**6**

CHECKBOOK BALANCING FORM

Outstanding Deposits <i>(not included on your statement)</i>		Outstanding Checks <i>(not included on your statement)</i>	
Date	Amount	Check Number	Amount
Total		Total	

1. Ending balance from your bank statement	\$
2. Add total outstanding deposits	+
3. Subtract total outstanding checks	-
4. 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*

# STEP 7

## CHECKBOOK BALANCING FORM

Outstanding Deposits <i>(not included on your statement)</i>		Outstanding Checks <i>(not included on your statement)</i>	
Date	Amount	Check Number	Amount
Total		Total	

1. Ending balance from your bank statement	\$
2. Add total outstanding deposits	+
3. Subtract total outstanding checks	-
4. 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*

# STEP 8

## CHECKBOOK BALANCING FORM

Outstanding Deposits <i>(not included on your statement)</i>		Outstanding Checks <i>(not included on your statement)</i>	
Date	Amount	Check Number	Amount
Total		Total	

1. Ending balance from your bank statement	\$	
2. Add total outstanding deposits	+	
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 DEPOSITS

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





# STEP 10

## CHECKBOOK BALANCING FORM

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

1. Ending balance from your bank statement	\$
2. Add total outstanding deposits	+
3. Subtract total outstanding checks	-
4. 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*

# STEP 10

## CHECKBOOK BALANCING FORM

Outstanding Deposits <small>(not included on your statement)</small>		Outstanding Checks <small>(not included on your statement)</small>	
Date	Amount	Check Number	Amount
Total		Total	

1. Ending balance from your bank statement	\$	
2. Add total outstanding deposits	+	
3. Subtract total outstanding checks	-	
4. 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*

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Sources: CreditCards.com, *Forbes*

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