

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

5

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)	=

LIST OUTSTANDING DEPOSITS

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

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 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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