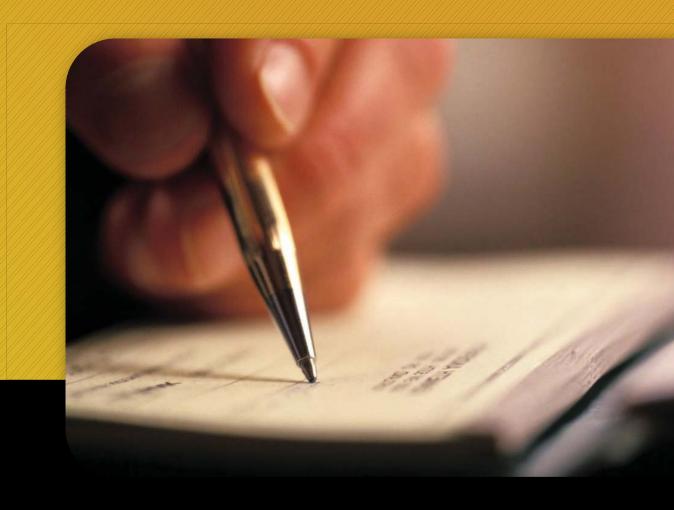
CHECKING BASICS O





This book is intended as a general guide to the topics discussed, and it does not deliver accounting, personal finance, or legal advice. It is not intended, and should not be used, as a substitute for professional advice (legal or otherwise). You should consult a competent attorney and/or other professionals with specific issues, problems, or questions you may have.

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Checking Basics

A checking account is a basic financial tool. It allows you to give money to another person or business when it is not safe or practical to give them cash. The following pages will explain the benefits of checking accounts, how to choose them, how they work, and how to use them wisely.

The Basics of Checking Accounts

Benefits:

Many people like to use a checking account to manage their day-to-day finances. There are many benefits to using a checking account.

Convenience:

If you use checks, you don't always have to have cash before making a purchase. And you shouldn't send cash through the mail, just checks, to pay bills. Also, you can usually access your checking account by using your debit card at a store or ATM.

Safety:

You don't have to carry a big wad of cash when you go shopping. Also, stolen checks can be replaced. Lost or stolen cash cannot — it is, simply, gone.

Easier budgeting:

A checking account can also help you budget your money. When you use your check register to record whom you wrote checks to, you're automatically keeping track of where your money is going — making it easier to evaluate your spending habits.

Proof of payment:

Checks provide written proof that you made a payment to someone or a business. Each time you write a check that ultimately clears your account (when the money is taken from your account and added to the payee's account), there will be several records of it — making it easier to prove that you did in fact make a payment, should anyone ever challenge you about it.

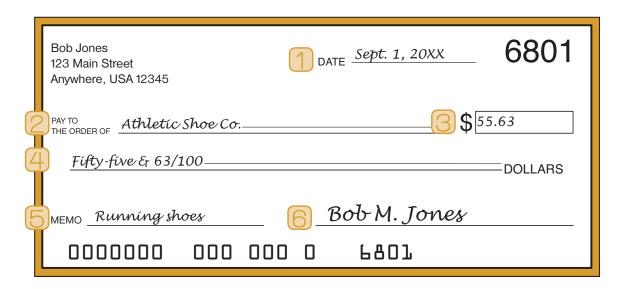
Comparing & Choosing a Checking Account

When you are shopping around for a checking account, use the worksheet below to compare them.

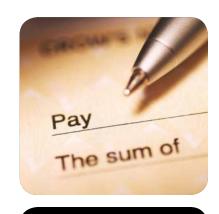
1	Name of Financial Institution	 	
2	Name of Checking Account		
3	Monthly Fee/Service Charges		
4	Minimum Balance Required to Waive Monthly Fee		
5	Overdraft Fees/ Options		
6	ATM/Debit Card Fee		
7	ATM Fees		
8	Online Access/Bill Pay Offered?		
9	Cost of Checks		
10	Hours Open & Locations		

Writing a Check

Checks come in different designs and colors, but the basic features are the same and so are the "how-tos" of writing a check.



- 1. Write in the correct date and year. You can write the month in words, numbers or abbreviations.
- 2. Write the name of the person (or business) the check is being made to. Write plainly and accurately. Draw a line after the name to prevent someone from adding other names.
- Carefully write the amount of the check in numbers. Make sure
 the figures are as close to the dollar sign as possible. This
 makes it hard to change the amount by inserting a number. For
 example, changing \$25.00 to \$125.00.
- 4. Write the dollar amount in words starting at the extreme left. This makes it more difficult to alter the amount of the check. Draw a line through any remaining space.
- 5. Fill in the "Memo" line so you'll have a record of why you wrote the check.
- 6. Sign your name legibly in pen and always sign the same way.



Balancing a Checking Account

When you order checks, a register comes with the box of checks. Registers are used to help you balance your checking account.

ITEM NO. OR			SUBTRACTI	SUBTRACTIONS AMOUNT OF PAYMENT OR WITHDRAWAL (-)		(-) FEE IF ANY	ADDITIONS AMOUNT OF DEPOSIT OR INTEREST (+)		BALAN	1CE
TRAN CODE	DATE	ATE TRANSACTION DESCRIPTION							500 00	
6801	9/1	Athletic Shoe Company	5	5 63					55	63
		running shoes							444	37
	9/4	work paycheck					235	00	235	00
									679	37
6801	9/6	Food Mart	2	2 36					22	36
		groceries							657	01
	9/17	ATM	2	00		1.00			21	00
		cash							636	01

Checks

For each check you write, immediately enter the following in the appropriate spaces in the register:

- The check number (in the "Item No. or Transaction Code" column)
- The date
- Who you wrote the check to and why (in the "Transaction Description" column)
- The check amount (in the "Subtractions" column and also in the "Balance" column). Immediately subtract the amount from your current balance

Deposits

For each deposit you make into your checking account, complete a checking account deposit slip and enter the following information in the checkbook register:

- The date
- The source of the money (for example, a paycheck or gift)
- The deposit amount (in the "Additions column and also in the "Balance" column). Immediately add the amount to your current balance

Other Entries

Enter all money withdrawn or deposited into your checking account, including:

- Service charges
- · ATM cash withdrawals and any fees
- · Transfers from other accounts
- Debit card purchases
- · Automatic payments (ACH)

Once a month, you'll receive an account statement from your financial institution (example on page 5). The statement will list your account balance at the beginning and end of the month, any deposits, transfers or withdrawals you've made, checks that have been cashed, ATM transactions, any fees or penalties and any interest earned. Using the form on page 5 (also provided on the back of your statement pages), compare your statement against your check register.

- Compare the withdrawals (checks, ATM, debit card, transactions, automatic payments, transfers, and fees) and deposits listed on your statement against the ones listed in your checkbook register. Put a check mark next to all entries that appear in both places.
- Using the form on page 5 (or on the back of your statement), list both checks and other withdrawals recorded in your check register that aren't listed on your statement.
- 3. Fill in the blank lines with the ending balance shown on your statement, any deposits from your register not shown on the statement and the total amount of outstanding withdrawals shown at the bottom of the left hand column. Do the math to come up with your adjusted balance.

If this balance doesn't match the one in your checkbook, double-check your math and make sure you've correctly recorded all checks, fees, deposits, withdrawals, ATM and debit card, transactions, automatic payments, and interest earned. Notify the financial institution if the error doesn't seem to be yours.

Checking Account Reconciliation

OUTSTANDING CHECKS /
OTHER WITHDRAWALS

NUMBER / TYPE	AMOUNT	
TOTAL		

ENDING BALANCE SHOWN ON THIS STATEMENT

PLUS DEPOSITS
NOT SHOWN ON THIS STATEMENT

SUBTOTAL

LESS TOTAL OUTSTANDING CHECKS / OTHER WITHDRAWALS

EQUALS ADJUSTED ENDING BALANCE

ADJUSTED ENDING BALANCE SHOWN ABOVE SHOULD AGREE WITH THE BALANCE SHOWN IN YOUR CHECK BOOK

NOTE: BE SURE TO DEDUCT ANY CHARGES, FEES OR WITHDRAWALS SHOWN ON YOUR STATEMENT (BUT NOT IN YOUR CHECK BOOK) THAT MAY APPLY TO YOUR ACCOUNT. ALSO, BE SURE TO ADD ANY DIVIDENDS OR ANY DEPOSITS SHOWN ON YOUR STATEMENT (BUT NOT IN YOUR CHECK BOOK) THAT APPLY TO YOUR ACCOUNT.

Safekeeping of your Checking Account

It's always smart to take precautions with your checking account.

- 1. Always write checks in black or blue ink.
- 2. Once you endorse a check (sign the back of it), anyone can cash it. So don't endorse checks you plan on depositing until you get to the bank or credit union. As an added measure of security, some people like to write "For Deposit Only" and their account number underneath their endorsement.
- 3. Keep unused checks in a safe place.
- Check your statement every month to make sure there are no withdrawals you didn't authorize and that your activity matches what you recorded in your checkbook register.
- 5. If your checks are lost or stolen, report it to your financial institution immediately. A warning will be placed on your account and your checks will be examined to see if someone is trying to forge your name to get your money. If you think your checks have been stolen, also notify the police.



7 Signs of Smart Debit Card Use

- Memorizing and protecting your PIN (don't choose something obvious like your house address, phone number, or birthday) and not carrying it in your purse, wallet or pocket. Remember, theft of your PIN can wipe out your account and leave you with overdraft fees.
- 2 Immediately recording purchases and withdrawals in your check register.
- Signing the back of your card to make it harder for others to use.
- Keeping receipts to check against your statement.
- Using your institution's ATM machines to avoid fees unless you have a checking account that allows you to use any ATM for free.
- Being aware of your surroundings when you use your debit card, especially at an ATM at night.
- Immediately reporting lost or stolen cards.

How Can I Be Overdrawn When I Still Have Checks Left?

If you write a check for more money than you have in your account, that's an overdraft. Depending on the financial institution where you have your checking account, several different things could happen.

- The check will be paid and money will be transferred from your savings account to cover it (for a small fee).
- The check will be paid and an overdraft line of credit will be advanced if that is set up on your account (for a small fee).
- The check will be paid and you will be notified that you owe money, plus an overdraft fee.
- The check will be returned to the person or business it was written to. This
 is called "bouncing" a check. If the check is bounced, you'll most likely have
 to pay a NSF (non-sufficient funds) fee to both the financial institution and the
 business to which it was written.

Some credit unions and other financial institutions offer an overdraft protection service, but there may be a fee for this service. One option automatically transfers money from your savings account to your checking account if you're overdrawn. But watch out: Because it's so convenient, you might find yourself "accidentally" spending your savings. Another option is an "overdraft line of credit" that automatically loans you money to cover overdrafts. The catch: You have to repay the money with interest. The best thing to do is to keep track of all your transactions in your checkbook register.

Follow the Bouncing Check

Judy wrote a check for \$65 to a department store, figuring she would cover the purchase by depositing her paycheck the next day. But when the store deposited Judy's check into its account, instead of receiving payment from Judy's financial institution, her check "bounced" back to the department store due to insufficient funds in her account. The store then sent Judy a notice stating that she still needs to pay the \$65, plus another \$25 for writing a bad check. Additionally, Judy's financial institution deducted an insufficient funds fee of \$30 from her account, drawing it down to only \$20.

But Judy was on a spending spree. She wrote another check to an antique store the same day for \$25. So that check bounced, and the antique store sent her a notice that she still needs to pay the \$25 plus another \$25 for writing a bad check. And Judy's financial institution deducted another insufficient funds fee of \$30 from her account, drawing it down to negative \$10.

Prior to all this happening, had Judy written any check that had not yet cleared, it too would bounce, and she'd rack up more rounds of bad check and insufficient funds fees.

But even if nothing else happens, Judy will have written two bad checks totaling \$90, paid \$110 in penalties, for a total cash outlay of \$200!

The Scoop on Debit Cards

Debit cards, sometimes called "check cards," have credit card logos on them but are very different. Instead of drawing on a line of credit, debit cards act like a check, deducting the amount of your purchase from your checking account. The good news is there's usually no interest associated with your debit card purchases because you're not actually borrowing money (you're drawing down your checking account instead).

When you flip over a debit card, the first thing you'll probably notice is the black magnetic strip. That's basically the intelligence center of the card. It stores data such as your name, account number, personal identification number (PIN), and financial limits. So you should be careful to protect it! If you accidentally wash the card, place it too close to a magnet, or scratch the strip, your card may not work anymore.

When you're at a store buying something with a debit card, you usually have to choose one of two options: to use it as a credit card - including having to sign for your purchase - or to use it as a debit card. In both cases, you or the cashier will have to swipe your card through an electronic terminal. If your card can be used as a debit card, you'll be prompted to enter your PIN. (And you may be asked if you want to get cash back, a way of making a withdrawal along with your purchase.) The terminal will then indicate whether the transaction was approved. If it was not, you must find another way to pay for your items.

Debit cards offer many of the conveniences of a credit card. They're particularly useful to people who don't like to carry a lot of cash and don't want to be tempted into accumulating too much debt. Compared with checks, there's less to carry, and checkout transactions usually go faster. But if you're not too diligent about recording your debit card purchases and withdrawals in your checkbook register, you can end up with too little money to pay bills or a bounced check. And of course, someone who steals your debit card can use it to draw upon your account before you even know it's gone, so keep close tabs on it.

So how do you get a debit card? You will usually be asked if you want one when you open your checking account. But you'll have to wait until you receive the card in the mail before you can actually use it. For security purposes, you'll receive your PIN in a separate letter.

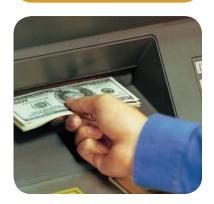
Once you get your debit card, you can use it at one of your financial institution's ATMs to withdraw money. Simply swipe the card, enter your PIN, and follow the instructions on the ATM screen.

But remember, accurate record keeping is key. So whether you use the card to withdraw or make purchases, make sure you record what the transaction was and how much it was for.

There's usually no additional charge to get a debit card for your account. But there may be charges for using it. Always read the terms of your debit card agreement carefully to find out what kinds of charges you might be assessed and for how much. It pays to do your homework to find out the least expensive ways to use your debit card.

Your rights and responsibilities with a debit card are virtually identical to those of a checking account, with the added responsibility of immediately reporting a lost or stolen debit card. Even without your PIN, someone can steal and use your debit card as if it were a stack of blank checks. As you can imagine, this wreaks havoc on your checking account if you don't notice the theft right away — drawing upon the money you've earned to pay for bills and life's little necessities.

Unfortunately, you have less protection against fraud with a debit card than with a credit card. If you report a missing card within two business days after you realize that it's missing, you'll only be responsible for up to \$50 of unauthorized charges. Wait longer than that, though, and your liability may increase



Notes

Checking Basics 101

The majority of the information contained in this book is from NEFE (National Endowment For Financial Education).

However, some of the information is based on the opinions of Capital Credit Union.





