

Participant Guide

CHECK IT OUT



FDIC Money Smart for Young Adults



Building: Knowledge, Security, Confidence

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Money Smart for Young Adults Modules

Bank On It

An introduction to bank services

Borrowing Basics

An introduction to credit

Check It Out

How to choose and keep a checking account

Charge It Right

How to make a credit card work for you

Setting Financial Goals

How to keep track of your money

Paying for College and Cars

Know what you are borrowing before you buy

Pay Yourself First

Why you should save, save, save

A Roof Over Your Head

What home ownership and renting are all about

Your Guides

Students from Lakeview High are going to be your guides in this lesson.

**Jasmine**

Hobbies: Hanging out with friends, shopping, collecting teddy bears

School life: Likes English class, swims on the swim team

Job: Works weekends and holidays at her aunt's gift shop

Family: Younger brother named Dominique, large extended family

Future plans: Go to an in-state college and become an exercise physiologist

**Todd**

Personality: Shy, good sense of humor, intelligent

School life: Likes school, but does not work very hard at it

Jobs: Two part-time jobs (fast food and a grocery store)

Family: Mom and sister

Future plans: Attend college; he is not sure where he wants to go or how he will pay for it, but is saving all he can

Ramón



Hobbies: Going to the movies or playing mini golf with his girlfriend

School life: Plays on the soccer team

Family: Born in the United States (U.S.), but his parents are from Peru; he has a little sister and an older brother who is a pilot in the Air Force

Job: Repairing computers; wants to work for NASA some day

Future plans: Attend college on a soccer scholarship to study engineering

Grace



Hobbies: Art, drawing fashion sketches

School life: Does not really fit into the “high school scene”

Family: Two parents, no siblings

Job: Works at a clothing store at the mall

Future plans: Enroll in Fashion Design School

Checking In

Welcome



Welcome to *Check It Out!* By taking this module you are starting to build a better financial future for yourself. You will discover that having a checking account can be convenient and can save you money.

Purpose

The *Check It Out* module will help you identify ways you can save money. *Check It Out* will teach you what you need to know to open and maintain a checking account. You will learn the responsibilities involved with having a checking account, and the many ways you can use it.

Objectives



By the end of this module, you will be able to:

- State the benefits of using a checking account.
- Determine which checking account is best for you.
- Identify the steps involved in opening a checking account.
- Add money to and withdraw money from a checking account.
- Reconcile a check register with a bank statement.

Student Materials

You have a copy of the *Check It Out* Participant Guide. You can take it home and use it as a reference. It contains:

- Information and activities to help you learn the material
- Tools and instructions to complete the activities
- Checklists and tip sheets
- A glossary of the terms used in this module



Pre-Assessment

1. Which of the following statements is NOT true?
 - a. Checking accounts are convenient.
 - b. Checking accounts are only for rich people.
 - c. Using a checking account is generally less expensive than using a check-cashing service.
 - d. Using a checking account helps keep your money safe.
2. Which of the following is not an example of a common type of checking account?
 - a. Free checking
 - b. Interest-bearing checking
 - c. Per-transaction fee checking
 - d. Electronic-only/ Automated Teller Machine (ATM) checking
3. When you write a check and the check bounces, the bank will charge you a fee. What is that fee called?
 - a. ATM fee
 - b. Stop payment fee
 - c. Minimum balance fee
 - d. Overdraft or non-sufficient funds fee
4. Select all that apply. To withdraw money from your checking account, you can:
 - a. Use an ATM card at a machine
 - b. Write a check out to “cash” and go to a teller
 - c. Use a credit card
 - d. Purchase items using a stored value card
5. To open a checking account, you will most likely need to provide the bank with:
 - a. Photo identification (ID), Social Security Number (SSN), and money to deposit
 - b. Name, address, and SSN
 - c. SSN, a good credit history, and a deposit
 - d. Photo ID, address, and a good credit history

6. Direct deposit is a way to keep your money safe because:
 - a. You have the check sent directly to a check-cashing location
 - b. You cannot withdraw it once you deposit the check
 - c. It waives the fee at a check-cashing store
 - d. Your check goes directly to your bank account and there is no risk of misplacing it

7. Electronic banking services include all of the following EXCEPT:
 - a. Electronic bill pay
 - b. Text message alerts about banking transactions or your account balance
 - c. Calling the bank on the phone
 - d. Debit/ATM card transactions

8. Which of the following statements are false?
 - a. The check register is a tool for you to keep track of your account balance.
 - b. If you make a mistake in your register and overdraw your account, the bank will not charge you.
 - c. You should enter all your withdrawals and deposits in your register.
 - d. Checks that you have written that have not been cashed will not show up on your bank statement.

9. Which two of these will best help you determine if a particular checking account is right for you?
 - a. Ask the bank what the fees are, so you know if you can get a better deal elsewhere
 - b. Find out if they have checks with your favorite team's logo on them
 - c. Ask about different services to see if the bank offers the ones you need
 - d. Negotiate monthly service charges with your bank

10. Select all that apply. In order to add money to a checking account, you might:
- a. Fill out a deposit slip and give your deposit to a teller
 - b. Cash your paycheck and send your cash deposit through the mail
 - c. Write a check out for “cash”
 - d. Deposit cash at the ATM
11. Reconciling a bank account means:
- a. Comparing your monthly bank statement with your check register to make sure they match
 - b. Comparing your monthly deposits with your withdrawals
 - c. Entering bank fees in your register
 - d. Listing outstanding checks
12. A debit card is:
- a. Similar to an ATM card, but you can also use it to make purchases at retail locations and funds are withdrawn directly from your checking account
 - b. The same as a credit card—buy now, pay later—but you can use your checking account with it
 - c. Similar to a gift card from a retail store, since you buy the debit card and replenish the funds once a month
 - d. Only used to get cash from an ATM if you do not have a checking account from which to withdraw funds
13. The best way to avoid overdrawing your account or “bouncing” a check is to:
- a. Limit the number of checks you write
 - b. Check your account balance regularly
 - c. Record all of your transactions
 - d. Use electronic payment services

14. All of the following are steps to balancing and reconciling your checking account EXCEPT:
- a. Keep it up to date
 - b. Account for any differences between your statement and your check register
 - c. Compare your checking and savings account balances
 - d. Determine which checks have cleared
15. When you take more money out of your account than you have in it, that is called:
- a. A debit transaction
 - b. Balancing your account
 - c. An overdraft
 - d. A monthly service fee



Benefits of Checking Accounts



A checking account allows you to deposit money into your account, withdraw money from your account, and write checks or use a debit card to pay bills and buy goods.

Convenience

Checking accounts are convenient because you have quick and easy access to your money. You can use checks and debit cards to make purchases instead of carrying cash. You can also have money from your employer or the government (e.g., a paycheck, income tax refunds, and public assistance benefits) directly deposited into your account.

Cost

Using a checking account is usually less expensive than using other services (e.g., check-cashing services, money orders, stored value cards).

Activity 1: Comparing Costs



Compare the cost of a checking account with several other services. Read each scenario and answer the questions to compare costs and determine who saves more money.

Scenario 1: Tony

Tony cashes his weekly paycheck at Fees4Cash, a check-cashing service. Fees4Cash charges Tony \$5.00 to cash every check. How much does Tony pay Fees4Cash each month to cash his paychecks?

How much does Tony pay each year? _____

Scenario 2: Lamar

Stored value cards, or prepaid cards, generally allow you to spend only the money deposited on the card. *Payroll cards* are one of four main types of stored value card. They are used by an employer to pay wages instead of giving you a paper paycheck. Payroll cards are unique from other types of stored value cards because you do not need to purchase them or pay activation fees since your employer provides the card.

Lamar opts to have his paycheck deposited onto a stored value card that he purchased for \$5.00 because his employer does not offer payroll cards. Money can be “loaded” onto the card via direct deposit or by going to certain stores. It has a major credit issuer logo on it, so he could use it anywhere as with a credit or debit card. Lamar can use his stored value card at an Automated Teller Machine (ATM), but the card issuer charges \$2.00 for every ATM transaction. Lamar mostly uses his card at stores where he slides his card through the point-of-sale (POS) terminal, but this month he used the ATM four times.

How much did Lamar pay this month in fees when using his stored value card at an ATM? _____

How much would Lamar pay each year in fees if he used his stored value card at an ATM an average of four times each month?

Scenario 3: Sylvia

Sylvia has a checking account. The bank charges a monthly fee of \$6.00 unless she uses direct deposit or her debit card more than five times per month. If Sylvia uses direct deposit or her debit card frequently and she uses no more than one box of checks every year, which cost her \$18.00, how much does she pay to maintain her checking account?

Comparing Scenarios

How much can Tony save each year if he opens a checking account and pays what Sylvia does? _____

Even if Tony pays a \$6.00 monthly fee for a total of \$72.00 a year, plus

the cost of the checks (\$18.00), how much could he save each year?

How much can Lamar save each year if he opens a checking account and pays what Sylvia does? _____

Better Money Management



Using a checking account can help you manage your money if you regularly record or monitor your transactions, including:

- Depositing or withdrawing money
- Writing a check or using your debit card to pay bills and make purchases
- Having funds directly deposited into your account

Safety



Keeping your money in an insured financial institution means your money is safe up to the insured limit, which is \$250,000.00 per depositor, per insured bank. This means that if the financial institution closes for any reason and cannot return your money to you, the Federal Deposit Insurance Corporation (FDIC) will pay all insured deposits up to the insurance limit.

The FDIC has an online tool called Electronic Deposit Insurance Estimator (EDIE). It lets you calculate the insurance coverage of your accounts at each FDIC-insured institution. You can find EDIE online at www.myfdicinsurance.gov.

Types of Checking Accounts



Free/Low-Cost Checking

If you do not plan to write many checks, a free or low-cost checking account might be right for you. However, there may be a limit to the number of checks you can write in a month.

Some banks offer special checking and savings account products for students. These may include a waiver of fees, lower minimum balance requirements, and free checks. When shopping for an account, ask the institution if it offers a student account. If it does, be sure to find out what happens when you turn 18 or are no longer a student (e.g., what kind of

account will the bank assign to you).

Electronic/ATM Checking

This account usually requires you to use direct deposit and your ATM or debit card. If you do not plan to use teller services often, an electronic checking account might be right for you. This type of account usually allows you to write an unlimited amount of checks per month without incurring a fee for each check you write. However, you may be charged for in-person teller services.

Regular Checking

With a regular checking account, there is usually a minimum balance required to waive the monthly service fee. This type of account usually offers unlimited check-writing privileges.

Interest-Bearing Checking

With these accounts, you usually have to maintain a high minimum balance in order to earn interest and avoid fees. The minimum balance is usually at least \$1,000.00. There are also different interest-bearing accounts:

- The Negotiable Order of Withdrawal (NOW) account
- The Money Market Deposit Account (MMDA)

**Activity 2: Types of Checking Accounts**

Read each scenario and decide which type of checking account would be best for each parent. Consider the facts of each person and recommend a checking account.

Jasmine's Mother

Jasmine's mother, Carolyn, is a single mother who works as a physical therapist in a local hospital. Her hours are varied, and she often cannot get to the bank during normal banking hours. She pays most of her bills online (e.g., her mortgage, utilities, and telephone bill), and uses her debit card to make many purchases. Jasmine's father uses direct deposit to transfer his child support payment into Carolyn's account.

What kind of banking account would you recommend? Why?

Todd's Parents

Todd's father works in the local warehouse distribution center. Todd's mother does not work. They rent their home and the bills for water, heat, and electricity are included. They pay for their groceries with an ATM card, and also use it for other expenses. They do not write many checks.

What kind of banking account would you recommend? Why?

Ramón's Parents

Ramón's mother and father own their own business. They started it as a small grocery store, and have been able to grow the business to a large supermarket with nearly 100 employees. They work very hard and are careful not to spend money needlessly. They pay themselves a regular salary, which they put in a checking account to pay their household and living expenses. They often make purchases with a debit card, but they pay most of their bills by check.

What kind of banking account would you recommend? Why?

Choosing a Bank and a Checking Account Checklist

*If the financial institution is a credit union, be sure you are eligible to join.	Bank Name/ Account Type _____	Bank Name/ Account Type _____	Bank Name/ Account Type _____
Bank Information			
Does the bank offer the services I need?			
Convenient branches and ATMs?			
Bank hours?			
Do employees speak my language?			
Is it insured by FDIC/National Credit Union Administration (NCUA)?			
Accounts			
• Requirements for opening account?			
Checking Accounts			
• Minimum opening balance?			
• Minimum monthly balance?			
• Fees?			
• Fee waivers available?			
• Number of withdrawals per month without a fee?			
• Earns interest?			
• Deposit hold times?			
Overdraft Programs			
• Low balance alerts offered?			
• Overdraft fees?			
• Link to a savings account to cover overdrafts?			
• Opt-out options?			
Savings accounts			
• Minimum opening balance?			
• Minimum monthly balance?			
• Annual percentage yield (APY)?			
• Fees?			
• Fee waivers available?			
• Withdrawal limits per month?			
• Services available?			
ATM Cards			
• Fees?			
• Fee waivers available?			

• Location/number of ATMs?			
Debit cards			
• Fees?			
• Fee waivers available?			
• Rebates or bonuses for use?			
• Location/number of ATMs?			
• Debit card transactions requirements or limits?			
Mobile/online banking			
• Is it available?			
• Transaction types and limits?			
• Fees?			
• Fee waivers available?			
• Online bill pay?			
Other Information?			
Total Monthly Costs			
Total Annual Costs			

Fee Schedule



A fee schedule lists the fees you may be charged for certain activities. Some of the most common fees include:

- **Monthly service fee:** Also called a maintenance fee. The bank may charge a fee each month just for having the account.
- **Minimum balance fee:** Some accounts may require that a certain amount of money be in the account. If the account goes below that amount, the bank automatically charges a fee.
- **ATM-use fee:** Your bank will likely charge you a fee each time you use another bank's ATM. If you use another bank's ATM, expect them to charge you a fee as well.
- **Overdraft fee:** Also called non-sufficient funds (NSF) fee. These fees are charged when you do not have enough money in your account to cover your transactions (e.g., withdrawal, purchase, or payment).
- **Stop-payment fee:** If you lose a check or need to make sure a check is not paid by the bank for some other reason, you can request a "stop payment." There is a fee for this service, and the bank may not be able to catch the check before it is paid.



Activity 3: Understanding Bank Fees

Test your understanding of the different fees that banks charge. Use the Stars and Stripes Bank fee schedule to answer the following questions.

Stars and Stripes Bank Checking Account Fee Schedule

Monthly service fee	\$5.00 (This fee is waived if you keep a minimum daily balance of \$500.00.)
ATM transaction fees	
Stars and Stripes banks	FREE
Other banks	\$2.00
Overdraft, or NSF, fee	\$35.00 per item
Stop payment requests	\$35.00 per item

- Ramón has a checking account with Stars and Stripes bank. Last month he used the bank's ATM three times. He also used another bank's ATM twice. How much will Stars and Stripes Bank charge him for using his ATM card last month?

- Grace also has an account at Stars and Stripes Bank. Two weeks ago, Grace wrote a \$250.00 check to pay for a school ski trip. She gave the check to her teacher, Mr. Grey. Someone stole Mr. Grey's computer case, where he was keeping the ski-trip checks until he could deposit them at the bank. Grace wants to make sure no one can cash the check, so she makes a stop payment request. How much did Grace pay to request a stop payment?

- For the past 11 months, the soccer coach, Mr. Sam Shimsky, has kept at least \$600.00 in his checking account every day. This month an emergency came up and he had to use most of the money in his account. He now has \$100.00 left in his account. How much is Sam charged for monthly service fees in the 12-month period?

- Jasmine deposited several of her babysitting checks totaling \$75.00. She

already had \$100.00 in her account. The next day, thinking she had a lot of money, Jasmine went to the mall and made four purchases; two for \$35.00, one for \$50.00, and one for \$60.00. The following day she checked her checking account balance and she discovered that it was negative \$40.00. Why did that happen? How can she avoid this in the future?



Opening a Checking Account

What Is Needed to Open a Checking Account

To open your checking account, you will generally be asked for:

- Photo Identification (ID)
- Social Security Number (SSN) or Individual Taxpayer Identification Number (ITIN)
- The opening deposit

The bank will ask you to sign a document that is traditionally called a “signature card.” This document identifies you as the owner of the checking account.

Account Verification

The bank or credit union performs account verification because it wants to make sure that you will be a responsible bank account customer, and to ensure that no one is trying to steal your identity to open an account. If you have mishandled a checking account, or have not been a good banking customer in the past, the bank may not want to risk accepting you as a customer now. The bank may access a system (e.g., ChexSystems) to help assess your risk as a potential customer.

If you are unable to open an account because of credit-related problems, ask your bank or a reputable credit counseling agency if you are eligible for any “second chance” checking programs. These programs may allow you to open a checking account after meeting certain requirements (e.g., completing a check-writing workshop).

Activity 4: Are You Ready for a Checking Account?



Complete this checklist to determine if you are ready to open a checking account.

Checking Account

1. Do you work at a job where you are paid by check? _____
2. Do you have bills for which writing a check would be convenient?

3. Do you purchase money orders? _____
4. Do you ever lose cash or find it disappears quickly? _____
5. Do you regularly keep track of the money you have and how you spend it? _____

If you answered yes to two or more of these questions, a checking account might be a very good option for you.

If you answered no to the last question, you might not be ready for checking account. You must be willing to keep track of what you have in the bank so that you can avoid expensive overdraft and NSF fees, and can develop a good banking relationship.

To Open an Account

1. Do you have any of the following:
____ Driver's license?
____ Passport?
____ ID card?
____ Resident alien card (Green Card)?
2. Do you have a SSN? _____
3. A deposit with which to start an account? _____

At a minimum—you need ID, a SSN, and money to open a checking account. If you do not think having a checking account is right for you, consider opening a savings account at your bank. Savings accounts earn interest. You may still be able to direct deposit your payroll check into your savings account to avoid check-cashing fees. Remember to ask what fees and transaction limits are associated with the savings account.

Using a Checking Account



When you open a checking account, you generally receive:

- An ATM or debit card
- A checkbook
- A check register

Adding Money to Your Checking Account



Cash Deposit with a Deposit Slip

When making a cash deposit with a deposit slip, you need to:

- Make sure the deposit slip has your correct account and address information.
- Write in the transaction date.
- Add up the total cash and write the amount in the box marked “cash” or “currency.”
- Write the total cash deposit in the subtotal and total deposit boxes.
- Give the teller your deposit slip and cash. The teller will count the money before depositing it into your account.



Activity 6: Depositing Cash

Use the deposit slips in your checkbook to add cash to your account. Practice filling out the deposit slip and record the transaction in your check register.

Your Name	Deposit Ticket	
Address	00002215608	
City, State, Zip		
Date _____		
Deposits May Not be Available for Immediate Withdrawal		
_____ Sign Here for Cash Received (If Required)		
Your Financial Institution		
241071212	00002215608	2201

Cash		
Or total from reverse		
Subtotal		
Less Cash Received		
Total Deposit		

Record the following information in your check register:

- Date: 3/22/20XX

- Description of Transaction: Deposit
- Deposit/Credit (+): \$30.00

Check Deposit with a Deposit Slip



When you receive a check as payment and want to cash it, you need to sign the back of the check before you deposit it. The back of the check has what is called an endorsement area. Endorsing a check means signing the back of the check so you can deposit or cash it.

“For Deposit Only”

If you want to deposit the entire check into your account, write “For Deposit Only,” your account number, and then sign your name. By writing “For Deposit Only,” you prevent others from cashing your check. It also prevents you from receiving cash back when you make the deposit.

If you receive a check and want to sign it over to someone else (e.g., a parent or friend), you would endorse the back with: “Pay to the order of (person’s name).” Then sign your name below this endorsement. Now the person you designated in the endorsement can endorse it (or sign the check) and deposit or cash it.

Complete a Deposit Slip

When making a deposit using a teller, you will need to fill out a deposit slip to deposit checks into your checking account.

- Endorse each check
- Write the check number in the far left column, below “Cash.”
- Enter the amount of each check on a separate line.
- Use the back of the deposit slip, if needed, to list all of the checks you are depositing and transfer the total to the front.
- Enter this amount in the box labeled “Or total from reverse.”
- Enter the subtotal.
- Write in the amount you want to receive as cash back.
- Subtract the cash you are receiving and enter the total, or net, deposit that will go into your account.

When you make a check deposit, ask the teller when your money will be available.

Activity 7: Depositing a Check



Fill out the deposit slip for a \$50.00 check with \$25.00 cash back. Then record the following information in your check register.

- Date: 3/24/20XX
- Check Number: 104
- Description of Transaction: Deposit
- Deposit/Credit (+): \$50.00
- Less Cash Received: \$25.00

Your Name	Deposit Ticket	
Address	00002215608	
City, State, Zip		
Date _____		
Deposits May Not be Available for Immediate Withdrawal		
Sign Here for Cash Received (If Required)		
Your Financial Institution		
241071212	00002215608	2201
Cash		
Or total from reverse		
Subtotal		
Less Cash Received		
Total Deposit		

Deposit by Mail



You can deposit your checks by mailing the checks and a deposit slip to your bank. However, never send cash through the mail.

Direct Deposit

Direct deposit occurs when your employer or a government agency deposits your paycheck or benefits into your checking account electronically.

ATM

An ATM generally allows you to make deposits and withdrawals 24 hours a day, 7 days a week. You can also use an ATM to check your account balance and transfer money between savings and checking accounts. In order to use an ATM, you must have a Personal Identification Number (PIN).

A Note about PINs

PINs are a “secret code,” usually 4 digits, which you enter with the keypad

on the ATM when you first insert your card into the machine. You should never tell anyone your PIN or write it down where you keep your ATM/debit card. Otherwise, someone may use your PIN and take all the money from your account.

If someone uses your card without your permission, federal law protects you. However, to be fully protected and to minimize your losses, report lost or stolen ATM/debit cards and/or unauthorized charges to your bank immediately.

Taking Money Out of Your Checking Account



Steps to Writing a Check

There are three steps you need to take to write a check:

1. Make sure you have enough money in your account.
2. Complete the blank spaces on the check.
3. Record the transaction in your check register.

Step 1: Make Sure You Have Enough Money in Your Checking Account

Record every time you make a deposit and withdrawal in your check register and be sure that the amount in the balance column accurately reflects what you have in your account. You can review your online statements to ensure your balance is accurate.

Step 2: Complete the Blank Spaces on the Check

To write a check, you must fill in the date, pay to the order of, the dollar amount of the check in numbers, the dollar amount of the check in words, the memo section, and the signature line.

Activity 8: Writing a Check



Fill in the check to BestTees for the shirt.

- Date: 3/26/20XX
- Check Number: 105
- Description of Transaction: BestTees
- Payment/Debit (-) \$19.75

YOUR NAME	69/175-2031	0105
Address		
City, State, ZIP	Date	
Pay to the		
Order of	\$	
		Dollars
Your Financial Institution		
For		
I:01242896I: 654859699 • 3266		

Check Writing Tips

- Write in blue or black ink.
- Write clearly.
- Record each check you write in your check register.

If you make a small mistake (e.g., starting to write the dollar amount in the “Pay to the Order of” area), cross out the incorrect information and write your initials above what you crossed out. Then write the correct information.

If you make a large mistake, write “VOID” across the check and/or tear it up. Ideally, you should always tear up your voided check to prevent thieves from stealing your confidential information. Record the check as voided in your check register so that you have a record that the check was canceled.

Step 3: Record the Transaction in your Check Register

Now we will record your check in your practice check register. You already know how to fill in the date, description, and amount of the check.

- Date: 3/26/20XX
- Check Number: 105
- Description of Transaction: BestTees
- Payment/Debit (-) \$19.75



Check Overdrafts: “Bad Checks” and “Bounced Checks”

If you write a check without enough money in your account to cover the check, and the bank returns the check unpaid, it is known as writing a bad check or bouncing a check.

Stores likely will charge a fee when you write them a check without having

enough money in your account to cover it. Knowingly writing a bad check, or doing so with fraudulent intent, is a crime in every state. For this reason, if you ever do mistakenly write a bad check, you should correct it as soon as possible.

If you repeatedly overdraw your account, your bank might close your account and report negative checking account activity to an account verification company (e.g., ChexSystems or TeleCheck). This can make it difficult to cash or write checks and open bank accounts in the future.

Opt-In Rule from Some ATM/Debit Card Transactions



The bank will ask you how to handle certain overdrafts generated by:

1. ATM withdrawals
2. One-time debit card transactions at store point-of-sale (POS) terminals.

If you opt-in to a bank's overdraft program, the bank can charge you a fee—perhaps \$30.00 or more—to process POS or ATM transactions that exceed your account balance. If you do not opt in, the bank will decline your ATM withdrawals and debit card transactions at POS terminals if you do not have enough money in your account to cover the withdrawal or purchase.

Bank Overdraft Programs



If you decide to opt-into an overdraft program, learn about the options you have. They may include:

- Linking your checking account to your savings account so the overdrawn amount is taken from your savings account
- Linking your savings account to a line of credit
- Enrolling in an overdraft program

All financial institutions must now disclose on your monthly bank statement the total dollar amount of all overdraft and NSF fees charged to your account. Your monthly statement must include separate total amounts of fees for the statement period and the calendar year to date.

Avoiding Overdraft Fees

Overdraft fees can be very costly and add up quickly. You can avoid overdraft fees by:

- Keeping track of how much money you have in your checking account by keeping your check register up to date
- Paying special attention to track your electronic transactions (ATM, debit card, and online transactions)
- Remembering to record automatic bill payments and checks you write
- Reviewing your account statements each month and reconciling them with your check register
- Asking if you can get email or cell phone alerts from your bank when your balance is running low
- Keeping extra funds in your account as a cushion.

Use the Teller Service and a Withdrawal Slip

Your bank may only require you to sign a receipt the teller prints when completing a withdrawal. If your bank provides or requires you to use a withdrawal slip, you may need to fill in:

- The date
- Your name, if not preprinted
- Account number and account type (e.g., checking or savings), if not preprinted
- The amount you wish to withdraw
- Your signature



Use an ATM

You can withdraw money from an ATM using your ATM or debit card. Follow the ATM prompts to insert your card, enter your PIN, and the amount of money you want to withdraw.

A Note About ATM Fees

Be aware of the fees your bank charges for using another bank's ATM—in addition to the fee the other institution may impose. Also, be careful not to overdraw your account, as you may incur overdraft/NSF fees.

Using Electronic Banking

Electronic banking uses computers to move money to and from your bank account instead of using checks and other paper transactions. Most banks



provide electronic banking services with which you can access your bank account from a computer or cell phone. Many provide these services for free while others may charge a fee.

ATM and Debit Cards



An ATM card allows you to use an ATM for transactions. In addition, some ATM cards can be used for POS transactions at merchants participating in the same network as your card. A debit card generally features a Visa or MasterCard logo so you can make “debit” or “credit” purchases where these cards are accepted.

A debit card performs all of the same functions as an ATM card (e.g., you can use ATMs to deposit or withdraw money and at POS terminals at merchants). The difference is that debit cards allow you to pay for goods and services at more locations than an ATM card (e.g., grocery stores, gas stations, or restaurants outside of your bank’s network and anywhere a VISA or MasterCard is accepted).

	ATM/Debit Cards	Credit Cards
Payments	<ul style="list-style-type: none"> • Buy now, pay now. 	<ul style="list-style-type: none"> • Buy now, pay later.
Interest Charges	<ul style="list-style-type: none"> • No charges apply as funds are automatically debited from your checking account. 	<ul style="list-style-type: none"> • Charges will apply if you carry a balance or your card offers no grace period (time to repay without incurring interest charges).
Fees	<ul style="list-style-type: none"> • Fees on certain transactions (e.g., an ATM fee charged for withdrawing funds from an ATM not operated by the financial institution that issued your card). • Potentially costly fees if you try to spend more money than you have available in your account. 	<ul style="list-style-type: none"> • Fees and penalties can be imposed if payments are not timely. • Some cards also have annual fees. • Not all cards offer grace periods (time to repay without incurring interest charges).
Other Potential Benefits	<ul style="list-style-type: none"> • Easier and faster than writing a check. • No risk of losing cash that you cannot replace. 	<ul style="list-style-type: none"> • Freebies sometimes offered (e.g., cash rebates, bonus points, or travel deals). • You can withhold payment on

	<ul style="list-style-type: none"> Some cards may offer freebies or rebates. As long as you do not overdraw your account, ATM and debit cards are a good way to pay for purchases without borrowing money and paying interest. 	<p>charges in dispute.</p> <ul style="list-style-type: none"> Purchase protections offered by some cards for faulty goods. If you are careful about how you manage your credit card, especially by paying your bill on time, your credit score may go up and you may qualify for lower interest rates on loans.
Other Potential Concerns	<ul style="list-style-type: none"> Usually there are no protections against faulty goods and services. You need another way to pay for unexpected emergencies (e.g., a car repair) if you do not have enough money in your bank account. 	<ul style="list-style-type: none"> Over-spending can occur, since the credit limit may be higher than you can afford. If you do not pay your card balance in full each month, or your card does not have an interest-free grace period, you will pay interest. This can be costly, especially if you only pay at or near the minimum amount due each month.

Protection from Someone Else Using Your Card



If someone uses your card without your permission, federal law protects you.

- If you used your credit card, you do not have to pay the disputed transaction while the company that issued the credit card is investigating the matter. Your liability for unauthorized transactions is generally capped at \$50.00; sometimes the credit card company may waive your liability.
- With a debit card, the disputed transaction will have already been withdrawn from your account. The financial institution will re-credit the amount in dispute (less \$50.00) to your account if it is unable to resolve the matter within 10 business days of your filing the complaint. If you do not notify your bank within 2 days of discovering the loss or other problem, you could potentially be responsible for more than \$50.00 of the unauthorized purchases.

Temporary Holds

When you swipe a card for a purchase where the exact amount is not known, or when you put a deposit down on something (e.g., when renting sports

equipment), a temporary hold is sometimes placed on funds in your account until the actual transaction posts to the account. The hold will likely be for an amount greater than you actually spend. This temporary hold could prevent you from buying other things, even if you do have the money available. Be sure to ask about the merchant's debit card hold policy.



Activity 9: Recording a Cash Transaction and a Debit Card Purchase

Record the following transactions in your practice check register:

- Date: 3/28/20XX
- Description of Transaction: ATM withdrawal
- Payment/debit (-): \$40.00

- Date: 3/28/20XX
- Description of Transaction: Lunch
- Payment/debit (-): \$5.25



Electronic Bill Pay

Electronic bill pay is a service that automatically takes money from your account each month to pay your bills. Some benefits of electronic bill pay are:

- You do not have to pay for postage.
- For automatic payments, you also do not have to worry about late payments.

Cell Phone (Mobile) Banking

Depending on the services offered by your bank or credit union and your cell phone service provider, you may be able to complete the following banking transactions from your cell phone:

- Receive text message alerts when your account balance reaches a certain level, or when a certain transaction occurs
- Access your online bank account to check balances, pay bills, and transfer funds between accounts
- Locate your bank's closest ATMs
- Pay for purchases

As with a regular landline telephone, you can also call your bank to conduct

many transactions (e.g., check your account balance, determine whether checks/transactions have cleared, and transfer money between accounts).



Safe Electronic Banking

Safe electronic banking involves making wise choices that will help you avoid costly surprises, scams, or identity theft. To bank safely online:

- Use a secure and encrypted connection to the Internet.
- Ignore (and delete or report) fraudulent emails asking you to send your account number, password, or any personal information via email; legitimate financial institutions do not ask for this information via email.
- Confirm that an online bank is legitimate (at www.fdic.gov).
- Monitor your bank account activity closely.
- Keep your information private.
- Contact your bank to find out more precautions you can take with the online and mobile banking services they offer.
- Use anti-virus software, keeping it updated to detect and block spyware and other malicious attacks, and using a “firewall” to stop hackers from accessing your computer.

Keeping an Accurate Record of Your Checking Account



Keeping an accurate record of your checking account activity helps you know at all times the exact amount of money you have in your checking account.

- Record all transactions in your check register.
- Record maintenance fees, interest, and other bank charges.
- Review the monthly checking account statement.
- Reconcile your check register with your monthly checking account statement.

Record All Transactions

We have been very careful to record deposits and withdrawals in the practice check register. You should be just as careful with *your* check register. You should keep all receipts so you can record the transactions.

Printed Receipts

You should get a receipt when you use a debit card to buy goods or perform electronic banking transactions. If the merchant cannot give you a receipt, or if you forget to get a receipt, write down the amount so you can record and track the expense later.

When using an ATM, make it a practice to always get a receipt. Printed ATM receipts usually include:

- The amount of the transaction
- Any extra fees charged
- The date of the transaction
- The type of transaction (e.g., deposit or withdrawal)
- A code for your account or ATM card and the available balance
- The ATM location or an ID code of the terminal used
- The name of the bank or merchant where you made the transaction

**Record Interest and Maintenance Fees**

With an interest-bearing checking account, you find out the interest you receive each month by reviewing the checking account statement the bank sends you.

With a fee-based checking account, you can ask the bank the approximate date it will withdraw the monthly fee from your account and then record that fee in your check register.

The Monthly Checking Account Statement

The bank will generally prepare a statement for your checking account once a month, including:

- Checks you wrote that have cleared (e.g., have been cashed or deposited by the person to whom you wrote the check)
- All withdrawals and deposits made
- Debit card purchases
- Any fees that the bank charges

The statement is generally mailed to you, unless you have chosen to receive electronic statements (e.g., by email or download from your online account). Be sure to review your statement as soon as you receive it,

particularly to look for errors or transactions you did not make. If you notice something in error, or have other questions about your statement, be sure to contact your bank's customer service representative immediately.

The content, format, and layout of checking account statements vary from bank to bank. However, most checking account statements show:

1. Your bank's name and address
2. The time period covered by the statement
3. Your name and address
4. Your account number
5. A list of all transactions by date
6. A list of all cashed checks in numerical order by check number; some banks do not provide this
7. Statement summary, including fees and charges (if any)

Y	Your Bank	1			3	Your Name	
	1212 Y Street Somewhere, US 00001					4321 Second Street Somewhere, US 00001	
			4	Account Number 543685321454			
Summary of Account Activity							
For period ending		3/20/20XX	2				
Date of last statement		2/20/20XX					
Date	Transaction Description		Withdrawal/ Deposit Amount		Balance		
2/20	Opening Balance				200.00		
2/26	Check #105	5	-19.75		180.25		
3/12	ATM Withdrawal		-100.00		80.25		
3/20	Monthly Fee		-5.00		75.25		
					Ending Balance	75.25	
6	Cleared Checks		Amount				
	Check #						
	105			19.75			
				Summary	7		
<i>Previous Balance</i>	<i>Total Deposits</i>	<i>Total Withdr.</i>	<i>No. of Checks</i>	<i>No. ATM Transactions</i>	<i>No. of Deposits</i>	<i>Service Charge</i>	<i>New Balance</i>
\$200.00	\$0	\$119.75	1	1	0	\$5.00	\$75.25

**How to Reconcile Your Checking Account**

We have been balancing our check registers throughout this exercise. As you have already seen, balancing means keeping your check register up to date by recording all transactions so you always know how much money is in your account.

When you receive your monthly checking account statement, there may be a difference between the statement balance and your check register balance. Reconciling your checking account helps you find the reasons for the differences. Many people reconcile their accounts using a software application.

Activity 10: Reconciling Your Account**Part 1**

Whenever you reconcile your check register, you must compare it with your monthly checking account statement. Use the sample statement and check register to complete the following steps and answer the questions.

What is the checking account statement balance (see “New Balance” or “Ending Balance” on the statement)? _____

Does this balance match the balance on your practice check register?

To reconcile the two balances and find out why they are different:

1. Compare your check register with the monthly statement. Put a small check mark (✓) beside each item in your check register that matches an item on your statement.
2. Are there any items that are listed on the monthly account statement that do not appear on the check register? If so, which one(s)?

3. Add the missing transactions to your check register below the last transaction.
4. Calculate the balance by adding deposits or subtracting withdrawals from your check register balance.
5. What is the new balance in your check register?

6. Does this match the checking account statement balance? _____

Checking Account Monthly Statement

Y	Your Bank 1212 Y Street Somewhere, US 00001	Your Name 4321 Second Street Somewhere, US 00001 Account Number 543685321454	
Summary of Account Activity			
For period ending 3/31/20XX			
Date	Transaction Description	Withdrawal/ Deposit Amount	Balance
3/20	Opening Balance		200.00
3/22	Deposit	30.00	230.00
3/24	Deposit	50.00	280.00
3/24	Withdrawal	-25.00	255.00
3/28	ATM Withdrawal	-40.00	215.00
3/28	Monthly Fee	-5.00	210.00
Ending Balance			210.00
Cleared Checks			
		Amount	
Check #			
105		19.75	
Summary			
<i>Previous Balance</i>	<i>Total Deposits</i>	<i>Total Withdr.</i>	<i>No. of Checks</i>
			<i>No. ATM Transactions</i>
			<i>No. of Deposits</i>
			<i>Service Charge</i>
			<i>New Balance</i>
\$200.00	\$80	\$65	0
			1
			2
			\$5.00
			\$210.00

Check Register

Check Number	Date	Description of Transaction	Payment/Debit (-)		Deposit/Credit (+)		Balance	
	3/20	Opening Deposit			200	00	\$200	00
	3/22	Deposit			30	00	\$230	00
104	3/24	Deposit	25	00	50	00	\$255	00
105	3/26	BestTees	19	75			\$235	25
	3/28	ATM withdrawal	40	00			\$195	25
	3/28	Lunch	5	25			\$190	00

**Part 2**

Use the checking account reconciliation form on the following page to reconcile your check register with your monthly account statement. If your bank includes a checking account reconciliation form and instructions on the back of the monthly statement, you can use this to reconcile your account.

Step 1: We have already compared the check register with the monthly statement, and placed a small check mark (✓) beside each transaction listed on the monthly statement.

Step 2: Are there any deposits listed in your check register that are not recorded on your account statement? If so, list and total these deposits.

Step 3: Are there any withdrawals listed in your check register that are not recorded on your account statement? If so, list and total these withdrawals or debits.

Note: if there are outstanding deposits and withdrawals missing from your check register, you would add them to your check register.

Step 4: Complete the reconciliation form.

- Enter the account balance listed on the monthly checking account statement.
- Add the total of deposits outstanding from Step 2.
- Calculate the total.
- Subtract the total of withdrawals outstanding from Step 3.
- Calculate the final total or balance.

Does this equal the balance in your check register? _____

Account Reconciliation Form

Step 2 List and total all outstanding deposits		Step 3 List and total all outstanding withdrawals or debits	
Date	Amount	Date	Amount
Total		Total	

Step 4	
Account balance	
Add outstanding deposits (Step 2)	
Total	
Subtract outstanding withdrawals (Step 3)	
Balance	
*This balance should agree with the balance in your check register.	

How to Report Errors, Change Your Address, and Close Your Account



If you find errors on your bank statement, contact your bank to have the error corrected. It is generally a good idea to immediately call or visit the bank to report the error, and then follow up by writing a letter. Keep a copy of the letter for your records. The letter should include:

- Your name
- Your account number
- An explanation and dollar amount of the error
- The date the error occurred
- Any conversations (and the outcomes) with bank personnel regarding this error

Final Words

Managing your checking account and your finances wisely means taking responsibility for your money. Always be sure to:

- Get all of the information you need from the bank before opening an account, and do not hesitate to shop around for a better account even after you open your account.
- Record all of your transactions in your check register, including electronic ones—debit, automatic payments, and ATM withdrawals—to keep good track of your money.
- Reconcile your account regularly so you always know your balance.



Module Summary



Congratulations! You have completed the *Check It Out* module. We have covered a lot of information about opening and maintaining a checking account.

You learned about:

- Benefits of having a checking account
- Types of checking accounts available
- Opening a checking account
- Writing checks
- Overdraft protection programs
- Using ATM and debit cards
- Making deposits and withdrawals
- Electronic banking
- Keeping accurate records
- Reconciling an account

Remember, using your checking account wisely can provide greater convenience, better money management, and safety and is less expensive than using check-cashing services.



Knowledge Check

1. Which of these is a benefit of having a checking account? Select all that apply.
 - a. You can pay for things over time instead of all at once
 - b. Better money management
 - c. Lower taxes
 - d. You can save money paying bills by check or online
2. When you write a check and the check bounces, the bank will charge you a fee. What is the fee called?
 - a. ATM fee
 - b. Stop payment fee
 - c. Minimum balance fee
 - d. Overdraft fee
3. Which of the lists below is the MOST correct? To open a checking account, a person needs:
 - a. Photo ID, SSN, and money to deposit
 - b. Proof of residence, SSN, and photo ID
 - c. SSN, an excellent credit history, and a deposit
 - d. Photo ID, proof of residence, and a good credit history
4. Which of the following statements are is false?
 - a. The check register is a tool for you to keep track of your account balance
 - b. If you make a mistake in your register and overdraw your account, the bank will not charge you
 - c. You should enter all your withdrawals and deposits in your register
 - d. Checks that you have written that have not been cashed will not show up on your bank statement

5. Match the definition with the correct term.
- Balancing: ____
- Reconciling: ____
- a. Determining the difference between your checking account statement and checkbook register
 - b. Recording all transactions and maintaining totals so you always know how much money is in your account
6. Electronic banking allows you to use which of the following to conduct various banking transactions or services?
- a. Cell phones
 - b. Computers
 - c. ATM or debit cards
 - d. All of the above
7. If using an ATM to withdraw money, which of the following might you need to record in your check register?
- a. Withdrawal amount
 - b. Interest earned
 - c. ATM fees, if applicable
 - d. Monthly or annual account fees
8. You can use a debit card for which of the following?
- a. Purchases
 - b. Withdrawals
 - c. Money transfers
 - d. Deposits
 - e. All of the above
9. Mobile banking allows you to:
- a. Use your computer to complete banking transactions
 - b. Use your cell phone to access or receive account information
 - c. Travel from bank to bank to complete transactions
 - d. Make purchases or payments with your cell phone

10. Overdraft programs are:
- a. Free of charge to you at banks
 - b. Offered by banks in the event you overdraw your account
 - c. Required by law for bank customers to purchase
 - d. An account feature that you must pay for only in months when you do not keep a minimum balance in your account
11. True or false? You do not need a checking account to have a debit or ATM card.
- a. True; debit and ATM cards always work like gift cards at a store—they already have preloaded funds
 - b. True; debit cards are like credit cards, and you can buy now and pay later
 - c. False; what you buy with a debit card or withdraw from the bank with an ATM card is taken directly from your checking account
 - d. False; the funds are withdrawn from a checking account AND you must have a savings account
12. Which of the following are ways to add money to your checking account? Select all that apply.
- a. Direct deposit
 - b. In-person or ATM deposit
 - c. By mail
 - d. At any merchant/store
13. What is the first thing you should do before withdrawing money from your checking account?
- a. Make sure you have enough money in your account
 - b. Complete or fill out the check correctly
 - c. Record the transaction in your check register
 - d. Know your debit card PIN

14. Select all that apply. In comparing your check register with your bank statement you notice a discrepancy: you listed a deposit of \$30.00, and your bank lists the deposit as \$35.00. You should:

- a. Just make it \$35.00 in your check register
- b. Call the bank
- c. Check your deposit receipt
- d. Add \$5.00 somewhere in your check register

15. When using an ATM:

- a. You can deposit or withdraw money into/from your checking or savings account
- b. You can transfer money between your checking and savings account
- c. You must have a PIN to deposit/withdraw money
- d. All of the above

Glossary

Automated Teller Machine (ATM): A computer terminal in which you can deposit cash and checks into your account or withdraw cash from your account 24 hours a day, 7 days a week.

Check: A written contract between you and your bank. When you write a check, you are asking the bank to take money from your account and give it to someone else.

Checking Account: An account that allows you to write checks to pay bills and buy goods. The financial institution will send you a monthly statement that lists the deposits, withdrawals, and purchases you made.

Check Register: A booklet to write down all of your deposits and withdrawals from your account, including fees and monthly charges.

Debit Card: A card that allows you to deposit cash into and withdraw money from your checking account at many Automated Teller Machines (ATMs) and make purchases at retail locations that accept credit cards (e.g., department stores or gas stations).

Deposit: A transaction in which money is added to your account (e.g., you deposit money, the bank pays you interest, or a check is direct deposited in to you account).

Deposit Slip: A slip used to let the teller know how much money you are depositing.

Direct Deposit: An electronic method for transferring and depositing money directly into your account.

Endorsement: The act of signing the back of a check so that you can deposit or cash it.

Electronic Banking: The use of computers to move money to and from your account instead of using checks and other paper transactions. Electronic banking includes debit card transactions, electronic bill pay, and Automated Teller Machine (ATM) transactions.

Electronic Bill Pay: A service that automatically takes money from your account to pay your bills.

Fees: The amount charged by financial institutions for account activities and services.

Fee Schedule: A bank document listing the fees you might be charged for certain account activities.

Interest: The extra money in your account that the bank pays you for keeping your money.

Reconciliation: The act of resolving the difference between the statement balance and your check register balance.

Signature Card: A form you complete and sign when you open an account indicating you are the account owner.

Substitute Check: An electronic image of your check that has the same standing as the actual check.

Transaction: A banking activity (e.g., depositing or withdrawing money, using your Automated Teller Machine (ATM) or debit card, or having checks direct-deposited into your account).

Withdrawal: The process of taking money from your bank account.

For Further Information

Federal Deposit Insurance Corporation (FDIC)

www.fdic.gov/consumer

1-877-ASK-FDIC (275-3342)

Visit the FDIC's website for additional information and resources on consumer issues. For example, every issue of the quarterly *FDIC Consumer News* provides practical hints and guidance on how to become a smarter, safer user of financial services. Also, the FDIC's Consumer Response Center is responsible for:

- Investigating all types of consumer complaints about FDIC-supervised institutions
- Responding to consumer inquiries about consumer laws and regulations and banking practices

U.S. Financial Literacy and Education Commission

www.mymoney.gov

1-888-My-Money (696-6639)

MyMoney.gov is the U.S. Government's website dedicated to teaching all Americans about financial education. Whether you are planning to buy a home, balance your checkbook, or invest in your 401k the resources on MyMoney.gov can help you. Throughout the site, you will find important information from federal agencies.

Federal Consumer Information Center

www.pueblo.gsa.gov

1-800-688-9889

The Federal Consumer Information Center (FCIC) provides free online consumer information to help the public. The FCIC produces the Consumer Action Handbook, which is designed to help citizens find the best sources for assistance with their consumer problems and questions.

Activity 5: Recording Transactions

A check register will help you keep track of the money you put into and take out of your checking account.

Record the following transaction:

- Date: 3/20/20XX
- Description of Transaction: Opening Deposit
- Deposit/Credit :(+) \$200.00
- Balance: \$200.00

Check Number	Date	Description of Transaction	Payment/Debit (-)	Deposit/Credit (+)	Balance	