

WORKSHOP 4

Banking Terms

There are numerous and often very complicated terms used in banking. We will focus on just a few key terms that can be helpful when choosing a bank and setting up a bank account.

The definitions of these terms, and other financial terms you will come across, can be found in the **Glossary of Financial Terms** at the end of this Guide.

APR (Annual Percentage Rate)

Check Hold

Debit Card

Delinquency

Federal Deposit Insurance Corporation (FDIC)

Service Charge

Finance Charge

Interest

Interest Rate

Overdraft

Financial Institutions

There are many different types of financial institutions that offer various cash management services. The two major types of financial institutions are banks (deposit-type financial institutions) and nonbanks (non-deposit-type financial institutions). In this Guide, we will focus on deposit-type financial institutions, although you may be interested in exploring non-deposit type financial institutions as an option for your banking.

Deposit-type financial institutions mainly fall under four classifications: 1) commercial banks, 2) savings and loan associations, 3) credit unions, and 4) Internet banks.

1. **Commercial banks** generally compete by offering the widest variety of services. However, they usually do not offer the highest interest rates on deposits or the lowest interest rates on loans.
2. **Savings and loan associations** have slightly different ownership arrangements than banks, but they are similar to commercial banks. Savings and loan associations may offer

slightly higher rates than commercial banks on deposits and somewhat lower rates than commercial banks on loans.

3. **Credit unions** are nonprofit organizations that are owned by their members. They can sometimes offer higher rates on savings accounts and lower rates on loans because they are not driven to provide a profit to shareholders.
4. **Internet banks** are electronic banks that do not have traditional brick-and-mortar branches. Because they have fewer branches, employees, and capital expenditures than traditional banks, they can generally pay higher interest rates on deposits and charge less for loans than traditional banks do.

Nonbank financial institutions consist of mutual fund companies and brokerage firms.

1. **Mutual fund companies** are a type of investment agency in which a pool of money is collected by investors to invest in stocks, bonds, and other securities. These mutual funds can give small investors access to professionally managed portfolios at a low price.⁴³ Many mutual fund companies now offer some banking services, such as writing checks against your mutual fund account.
2. **Brokerage firms** act as middlemen between buyers and sellers of assets.⁴⁴ Many brokerage firms now allow you to write checks, issue credit cards and ATM cards, and make loans.

Both banks and nonbanks offer online financial services, which allow you to access your account balance, transfer funds, deposit checks, and more 24 hours a day. With the blurring of roles between deposit and non-deposit institutions, banks can now offer investment services and nonbanks can offer check-writing privileges, credit cards, and savings accounts.⁴⁵

⁴³ Adam Hayes. "Mutual Fund." *Investopedia*, October 3, 2020.

<https://www.investopedia.com/terms/m/mutualfund.asp>

⁴⁴ Adam Hayes, "Brokerage Company." *Investopedia*, April 28, 2021.

<https://www.investopedia.com/terms/b/brokerage-company.asp>

⁴⁵ Original material from Peerlink National Technical Assistance Center.

Common Banking Fees

The following are some of the most common banking fees you will may encounter, regardless of which institution you choose to bank with, and how to avoid these fees:⁴⁶

Monthly maintenance/service fee: Some banks charge a fee every month to hold your money in an account with them. These fees can range from \$4 to \$24 and usually apply to checking accounts. The easiest way to avoid these fees is to choose a free checking and/or savings account that does not charge monthly fees. Additionally, some banks may waive your monthly maintenance fee if you set up monthly direct deposits; keep a minimum balance in your account, have other accounts or products with them, or are a student.⁴⁷

Automated teller machine (ATM) fees: Often around \$1 to \$2 per transaction, ATM fees can often be avoided by using your own bank's ATMs or by using an ATM that is part of your bank's co-operative network of institutions that allow free withdrawals at their ATM locations. Remember, while you can withdraw funds at any ATM that is a member of your general network, you can usually only deposit money at an ATM owned by your bank. Avoid ATM fees whenever possible and convenient.⁴⁸

Overdraft fees: If your account balance is insufficient but you have a check or transaction that is cleared, your institution may have paid the check or transaction for you. However, you may be charged a fee for this service. These charges are often in the \$25 to \$35 range *per check or transaction cleared*. While this result is preferable to enduring a bounced check (and a similar fee), these fees can quickly add up if you've miscalculated and presented more than one check for payment. This can also happen when you use your debit card on an insufficient balance – your bank might cover it, then charge you, instead of declining your transaction.

Overdraft fees are an easy accident to have happen. To avoid these fees, sign up for direct deposit so your income is automatically and consistently deposited into your account. This will help maintain a minimum balance in your checking account. You can also download your bank's

⁴⁶ Elizabeth Gravler. "7 Common banking fees and how to avoid them." *CNBC Select*.
<https://www.cnn.com/select/how-to-avoid-bank-fees/>

⁴⁷ Stephanie Colestock. "What are checking account monthly maintenance fees? *Credit Karma*, Oct. 19, 2021.
<https://www.creditkarma.com/money/i/monthly-maintenance-fee>

⁴⁸ Original material from Peerlink National Technical Assistance Center

mobile app to check your balance easily and frequently to make sure you have the money before making purchases.

Not sufficient funds (NSF) fees: If you don't have enough money in your bank account and you don't have overdraft protection, insufficient funds can cost you when you try to make a purchase. The maximum NSF fees that can be charged are set by individual states, usually up to \$35- \$45 *per check or transaction*. These fees should be avoided at all costs (pun intended).

Insufficient funds fees and bounced check fees can be avoided by checking your account balance frequently and transferring money to your account in advance. You can often sign up for notifications via text or email to be alerted by your bank when your balance is low.

Stop payment fees: If you've sent someone a check, but it never arrived at its destination, you may have to stop payment on this missing check. Stop payment fees are more widely accepted than many other bank charges, because they are sometimes necessary to protect you from further loss. Often these fees are in the \$5 to \$10 range.⁴⁹

Early withdrawal fees: Normally associated with a *certificate of deposit* (an account similar to a savings account but usually with a fixed term and fixed interest rates), these fees can be substantial. A common early withdrawal fee is the loss of all interest due. For example, if you have a \$5,000 CD earning 6% interest per year, with interest that is posted every three months, and you decide to withdraw your funds after just two months, your fee could be \$50 (all interest earned).

Always attempt to avoid early withdrawal fees by not touching your certificate of deposit until its term is over. CD terms can range between 3 months and 5 or more years, and the longer you let it sit, the more interest you will gain.

Early closing fee: Most banks charge you a fee if you close your account during a specified period of time after opening it (usually 90 to 100 days). These fees can be up to \$25, so check with your bank about their rules before you cancel your account.

Low balance checking account fees: If you have a checking account that requires a minimum balance amount, you might incur \$5 to \$15 dollars in fees every month that your "average

⁴⁹ Original material from Peerlink National Technical Assistance Center.

balance" dips below the minimum specified by your account terms. Should you have trouble keeping the minimum amount, switch your checking account to one without this requirement or keep tabs on your account with phone or internet banking options so you can deposit money into your account when it gets low.

Excessive transaction fee: Excessive transaction fees occur when you withdraw over the federal limit from your savings account. The federal limit is six free withdrawals and transfers per month. These fees range from \$3 to \$25 per transaction. They can be avoided if you use your checking account for consistent withdrawals, such as paying bills, instead of your savings account.

Opening a Bank Account

Step 1: Choose an Institution

You may have already done this. If not, shop around. What type of account do you want? A savings account? A free checking account? Would you like to use a credit union? See who has the features you want and open a bank account with them.

Step 2: Go to the Bank or Website

The easiest way to get this done is find the institution's website. The advantage of opening a bank account online is that you can do it at anytime, anywhere. You can also show up at the branch during business hours to open an account in-person.

Step 3: Pick the Product You Want

Any financial institution will have a variety of account types and services that you can mix and match. Pick the one that has the combination of services that is right for you. On the bank's website, you may need to click "Open Bank Account," then "Checking," and finally "Free Checking." If you open a bank account in person, you can just chat with a banker who will help you open the best account for your needs.

Step 4: Provide Your Information

In order to open an account, you must provide some information to the bank. This is to protect them against risk and comply with a variety of regulations. You'll need to provide your name, birthday, address, and identification numbers (in the U.S., this is most likely your Social Security Number). You may also need to provide a government I.D. like your Driver's License or Passport. When filling out this information online, make sure you are on the bank's official website before

proceeding to avoid the possibility of being scammed. You will also likely need money to deposit into your account as your opening balance. This is usually no more than \$25. If you're doing this online, you'll just type the information in. If you're opening an account in-person, you'll hand your ID over to the banker who will likely make photocopies.

Step 5: Agree to Terms

You'll have to agree to abide by certain rules and accept responsibility for certain actions. When you open a bank account, you form a relationship with the bank, therefore you should know what you're getting into. You'll likely need to sign or click "I Agree" to the Bank's Terms & Conditions.

Step 6: Print, Sign, and Mail (If Applicable)

If you are opening your bank account in person, this step does not apply. If you are opening an account online, you may have to print, sign, and mail a document to the bank before the account is officially opened. Some banks may use electronic disclosure and consent that is legally binding, but many will not open an account for you unless you complete this step. Until they receive the documents, your account is not active.

Step 7: Congratulate Yourself

Congratulations, you are the proud owner of a new bank account! Now, you'll just need to wait a few days to a few weeks for the bank to process your paperwork. Then, they will mail you everything you need for the account, such as your debit card or your checkbook if you request one.⁵⁰ Once you have your account information, debit card etc., you can sign up for online and mobile banking options to check your balance, transfer money, deposit checks, and more.

⁵⁰ Original material from Peerlink National Technical Assistance Center.

What to Do if You Have a Poor Banking History

There are a number of ways you can end up with a poor banking history. Common examples are:

- Cashing bad checks (or bouncing checks)
- Making late payments on a loan or mortgage
- Defaulting on a loan
- Having a bank foreclose on a mortgage
- Accruing overdraft fees (and not paying them off)
- Failing to pay bank fees

When you apply to open a checking account, there's a good chance the bank will run your name through *ChexSystems*. ChexSystems, Inc. reports individuals who “mishandle” checking and savings accounts and is somewhat similar to credit information bureaus.⁵¹ If your name winds up in the ChexSystems database, it can be extremely difficult to open a bank account. A negative ChexSystems report stays in the database for five years and can ruin your chances of opening a checking account during that period.

Tips for Staying Out of the ChexSystems Database:

- Don't write checks or use your debit card without having money in the account to cover them.
- Find out from your bank or credit union how long it takes for deposits to be credited to your account.
- Keep track of your balance and reconcile your checkbook with your bank's statement as soon as you receive it, or go online and check it.
- Before closing a checking account, make sure all checks have cleared, all automatic debits have stopped, and you have paid all fees.

Note: There are a very small number of banks that do not use Chex Systems and they do not advertise it, so they are not easy to find.

⁵¹ Ben Luthi. “What is ChexSystems?” *Experian*. <https://www.experian.com/blogs/ask-experian/what-is-chexsystems/>

Two Options if you Have Developed a Poor Banking History:

Option 1: Try to Remedy the Situation⁵²

- Obtain a copy of your credit report and correct any inaccuracies in your credit file. A low score can sometimes be the result of errors on your report.
- Obtain a copy of your ChexSystems report. Some banks do not check credit history but they will check ChexSystems. If you have a negative history with a bank, try to settle your debt. Sometimes banks will let you reopen a closed account if you pay what you owe.
- Open a savings account. Savings accounts can facilitate many of the same transactions as a checking account, minus the checks and debit cards. Most savings accounts can receive direct deposits and some may offer an ATM card. After maintaining your savings account for a little while – even with a negative credit history – some banks will allow you to open a checking account.
- Open a checking account at a local credit union. Credit unions usually have more relaxed standards than do traditional banks. To open a checking account at a credit union, you may only need to open a savings (or shared) account first.
- Open an account with a bank affiliated with your employer. Direct deposit has become more popular and many workplaces have special arrangements with banks to open accounts. Check with your HR department for more information.
- Open a prepaid Visa/MasterCard account. Prepaid, reloadable cards generally do not require you to open a bank account. They function like a debit card or gift card that you can use anywhere. You will be able to pay bills, accept direct deposits, mail in deposits, and make ATM transactions.

Option 2: Open a “Second-Chance” Checking Account

Some banks and credit unions offer second-chance checking accounts for those whose names are in the ChexSystems database. These accounts can help individuals rebuild their banking histories; however their services are usually fairly limited.

Some limitations of second chance accounts include monthly fees that cannot be waived and requirements such as setting up direct deposit. However, these drawbacks are usually worth it

⁵² Spencer Tierney & Margarette Burnette. “5 Steps to Clear Up Your ChexSystems Record.” *NerdWallet*, May 3, 2019. <https://www.nerdwallet.com/article/banking/banking-basics/steps-to-clear-up-your-chexsystems-record>

when it comes to rebuilding your banking history. When researching second-chance banks and credit unions, look for accounts with low or no monthly fees; no minimum balance requirements; few limits on daily or monthly transactions; and free services such as debit card access, online bill pay, and unlimited check writing. Some national banks that offer second-chance checking accounts include Chime, Wells Fargo, Green Dot Bank, and LendingClub. Credit Unions are also great options, such as Point West Credit Union in Oregon, which has a “Fresh Start Checking” option.⁵³

Checking Accounts

The Different Types of Checking Accounts:⁵⁴

Basic Checking: This is for people who use a checking account to pay certain bills and a debit card to pay daily expenses. Some basic accounts require direct deposit or a minimum balance to avoid monthly "maintenance" fees. You may be limited to a certain number of checks per month. If you exceed that number, you'll pay a "per item" fee for each additional check you write. You don't want to maintain a high balance in these accounts because you won't be paid interest.

Free checking: For most people, this is the best checking account. Free checking accounts mean that regardless of your balance or activity, you will not be charged any monthly service or per-item fees. In other words, you may write all the checks you like, or keep your balance as low as you like, without worrying about paying a fee. Free checking doesn't mean you won't have to pay any fees ever – for example, if you bounce a check, you'll have to pay a nonsufficient funds fee.

Interest-bearing: These accounts usually require a minimum balance to open, and you may need to maintain an even higher balance to avoid fees. For example, a bank may require \$100 to open an account, but will charge \$10 in service fees each month if you don't maintain a \$1,500 balance. Interest usually is paid monthly. However, these accounts pay a very low interest rate so for most people, it's simply not worth maintaining the high required balance.

Joint Checking: An account owned by two or more people (usually people who share a household and expenses). Each co-owner has equal access to the account. Most types of accounts, whether it's basic checking, savings, or money market, allow for joint use. Good

⁵³ Spencer Tierney & Chanelle Bessette “Second Chance Checking Accounts Across the U.S.” *NerdWallet* Aug. 13, 2020. <https://www.nerdwallet.com/article/banking/second-chance-checking>

⁵⁴ Karren Bennett. “10 Types of Checking Accounts.” *Bankrate* September 14, 2021. <http://www.bankrate.com/finance/checking/types-of-checking-accounts-2.aspx>

bookkeeping is essential with all checking accounts, but especially so with joint accounts. An overdrawn account usually results in steep fees for insufficient funds.

Express: Designed for people who prefer to bank by ATM, telephone, or personal computer, these accounts usually include unlimited check writing, low minimum balance requirements, and low or no monthly fees. The catch is you pay a fee for using a teller. You might get one or two free teller visits per month and then have to pay a fee for subsequent visits. These accounts are especially popular with students and people on the go who don't want to spend a lot of time on banking transactions.

Lifeline: These are "no-frills" accounts meant for people with low incomes. These accounts usually have monthly fees ranging from \$0-\$6; require a low, if any, minimum deposit and balance; and allow the user to write a certain number of checks per month. Lifeline accounts are required by law in Illinois, Massachusetts, Minnesota, New Jersey, New York, Rhode Island, and Vermont. In those states, minimum terms, fees and conditions are set by law, not by individual banks.

Senior/Student Checking: Many institutions offer special checking deals if you are a student or if you're 55 or older. The perks vary from bank to bank, but may include free checks, cashiers and traveler's checks, free ATM use, better rates on loans and credit cards, or discounts on things such as travel and prescriptions.

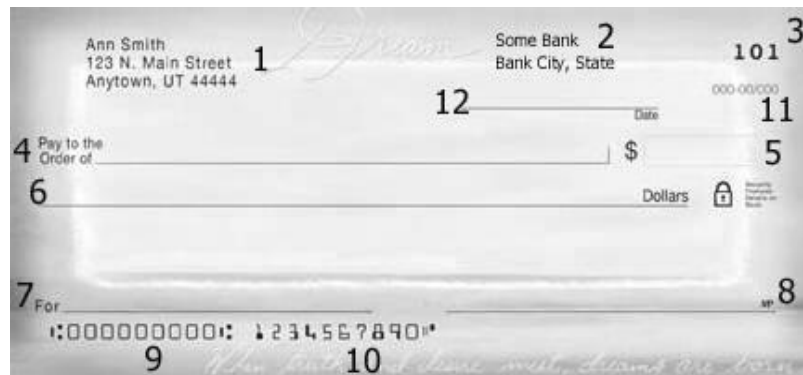
Money Market: These accounts combine checking with savings and/or investment opportunities to help you pursue higher earnings. It requires a very high minimum deposit to open (usually \$1,000 to \$10,000) and higher balances to avoid fees, and imposes tighter limits on checking transactions than other accounts. These accounts pay more interest than basic checking or savings accounts. This account is for people who can afford to maintain a high balance and do not write more than three to five checks each month.

How to Read a Check

Wondering how to read a check, understand the check format, and review the individual parts that make up a typical check?

- What are the different areas of a check?
- How do I read the MICR line? The Federal Reserve requires a person's account number, routing number, and check number to be printed in MICR (magnetic ink character recognition) ink or toner. MICR is a type of magnetic ink that verifies the legitimacy of a check.⁵⁵

The example below is a personal check. Each numbered section is defined below.



Section 1: Account holder's name, address, phone number, and email address can appear in this section of the check, called the *Address Field*.

Section 2: The bank name, city and state of the processing facility, or the city and state of the account holder's branch; the bank's phone number; the bank's website address and/or the bank's email address may appear in this section. This section can also be located above field 7 (the memo field).

Section 3: *The check number* appears at the top right, shown here as 101.

⁵⁵ "What is MICR?" *TechTarget*, 20201. <https://searchsecurity.techtarget.com/definition/MICR>

Section 4: *Pay to the order of.* This section should have the name of the person or company that is being paid (the name of the party receiving the check).

Section 5: The amount written *numerically*. If this check were for one hundred dollars, within the box labeled "5" in the example above, it should read, "\$100.00."

Section 6: The amount written *in words*. If this check were for \$100, in the blank section labeled "6," you would write, "One Hundred and 00/100." Many people will then draw a line to the preprinted "Dollars" to discourage alteration. If the check were for \$101.59, it would be written, "One Hundred One and 59/100."

Section 7: The "For" or "Memo" section can be left blank, or you can enter any information about the payment. Some people note an account number or invoice number that is being paid with the check, others may just write, "For Birthday" or another note to remind them what the check was for. This field is not read by the bank and does not change how the check is processed.

Section 8: *The signature line.* This is where the account holder would sign the check. On a check draft, the signature is not required, although it is common to have a signature disclaimer in this section.

Section 9: This MICR field is the **routing number**. This is the 9 digit code that routes the check to the issuing bank. The routing number should match the bank name and the fraction code. This number is needed when providing direct deposit information to an employer.

Section 10: The **account number**. This is an MICR field that lists the account holder's account number at the bank. This number is also needed when providing direct deposit information to an employer.

Section 11: *Fraction Code.* This field is the fraction that denotes the routing for the check. The fraction code is another way to write the 9-digit routing number. If the MICR line on the check is mutilated, the fraction code will be used in its place.

Section 12: The date field. Fill this in with the date the check is created.⁵⁶

⁵⁶ "How to read a check." *CheckWriter*, 2021. <http://checkwriter.net/how-to-read-a-check.htm>

How to Write a Check

Step 1: Start by writing the date and payee.

John Doe 123 Main St Anywhere US 10111		Date <u>01/01/2008</u>
PAY TO THE ORDER OF <u>The Sandwich Shop</u>		\$ <input type="text"/>
		DOLLARS
Your Bank 456 Main St Anywhere US 10111		
MEMO _____		
⑆ 123456789 ⑆ 1001001234 0798 About.com		

Step 2: Write the amount of your payment in numeric form.

John Doe 123 Main St Anywhere US 10111		Date <u>01/01/2008</u>
PAY TO THE ORDER OF <u>The Sandwich Shop</u>		\$ <input type="text" value="8.15"/>
		DOLLARS
Your Bank 456 Main St Anywhere US 10111		
MEMO _____		
⑆ 123456789 ⑆ 1001001234 0798 About.com		

Step 3: Write out the amount of your payment using words instead of numerals.

John Doe 123 Main St Anywhere US 10111		Date <u>01/01/2008</u>
PAY TO THE ORDER OF <u>The Sandwich Shop</u>		\$ <input type="text" value="8.15"/>
<u>Eight and 15/100</u>		DOLLARS
Your Bank 456 Main St Anywhere US 10111		
MEMO _____		
⑆ 123456789 ⑆ 1001001234 0798 About.com		

Step 4: Sign your check. Write a memo if you'd like.

John Doe
123 Main St
Anywhere US 10111

Date 01/01/200

PAY TO THE ORDER OF The Sandwich Shop \$ 8.15

Eight and 15/100 DOLLARS

Your Bank
456 Main St
Anywhere US 10111

MEMO Lunch with friends John Doe

⑆ 123456789 ⑆ 1001001234 ⑆ 0000 About.com

Step 5: To be extra careful, you can draw a line through any excess space in the small box with your payment amount.

John Doe
123 Main St
Anywhere US 10111

Date 01/01/200

PAY TO THE ORDER OF The Sandwich Shop \$ 8,150

Eight and 15/100 DOLLARS

Your Bank
456 Main St
Anywhere US 10111

MEMO Lunch with friends John Doe

⑆ 123456789 ⑆ 1001001234 ⑆ 0000 About.com

Step 6: Keep track of the checks you write (and your account balance) in your check register.

John Doe
123 Main St
Anywhere US 10111

Date 01/01/2008

PAY TO THE ORDER OF The Sandwich Shop \$ 8.15

Eight and 15/100 DOLLARS

Your Bank
456 Main St
Anywhere US 10111

MEMO Lunch with friends John Doe

⑆ 123456789 ⑆ 1001001234 ⑆ 0000 About.com

Check Number	Date	Description	✓ Payment/Debit (-)	Deposit/Credit (+)	Balance
0790	*1/1/2008	*The Sandwich Shop	8.15*		91.85

Balancing Your Checkbook⁵⁷

Today, fewer people are writing checks in their everyday transactions. Many individuals use debit cards, credit cards, or cash to make purchases and rely on online banking and bill paying options. As a result, many people do not know how to write a check, let alone balance a checkbook. Although writing checks is less common in the digital age, checkbooks and learning how to properly use them are still useful financial tools to have in your toolkit.

If you do use checks, do you balance your checkbook each month?

Four reasons why you should:

1. Balancing your checkbook verifies that your records match your bank's records.
2. Banks can make mistakes, and so can you. It is possible you've made a math error in your checkbook register.
3. If you make a mistake or forget to post a transaction in your register, you may start bouncing checks and incurring fees of \$25 or more.
4. If there's a problem, you won't need to wade through months of transactions to figure it out.

The Ten Steps to Balance Your Checkbook:⁵⁸

What you will need:

- Your most recent bank statement and/or cancelled checks
- A checkbook balancing form
- Your checkbook register
- A calculator and pencil

⁵⁷ Original material from Peerlink National Technical Assistance Center.

⁵⁸ Deborah Fowles. "How to Balance Your Checkbook." *The Balance*, Nov. 16, 2020.
<https://www.thebalance.com/balancing-your-checkbook-1289297>

Step 1: Reconcile Your Checks. Determine if there are any checks that haven't cleared the bank. Sort your cancelled checks in check number order, or use the listing of your cleared checks in numerical order as shown on your statement.

In your checkbook register, check off each cancelled check returned to you or each check that appears on the check listing, making sure the amount you recorded is the amount the bank shows.

Step 2: Reconcile Your Deposits. Make sure each deposit shown on your bank statement is recorded in your check register (especially if you have direct deposit, which you can easily forget to record).

Go through your deposit slips, paycheck stubs, etc., and make sure the bank statement shows all the deposits you made. Check off the deposits in your check register as you did for checks.

Step 3: Reconcile Your ATM Withdrawals & Debit Card Purchases. Go through the same process with your ATM withdrawals or debit card purchases, checking off each transaction on the bank statement in your check register. If the bank shows transactions that aren't included in your check register, record them now.

Step 4: Record Interest Earned & Bank Fees. Check your bank statement for any fees and record them in your checkbook register. Record any interest earned in your checkbook register.

Step 5: List Outstanding Checks. Go through your checkbook register and in *Column 2* of the balancing form, list your outstanding checks (the checks that you did not check off in your check register as having cleared the bank), as well as any outstanding debit purchases or ATM withdrawals that have not yet cleared the bank. Total the column of outstanding checks, debits, and ATM withdrawals.

Step 6: List Outstanding Deposits. Go through your checkbook register and in *Column 1* of the balancing form, list the outstanding deposits (the deposits that you did not check off in your check register as having cleared the bank). Total the column of outstanding deposits.

Step 7: Record Your Bank's Ending Balance. On *line 1* of the bottom section of the Checkbook Balancing Form, enter the ending balance shown on your bank statement.

Step 8: Enter Outstanding Deposits. On *line 2* of the bottom section of the Checkbook Balancing Form, enter the total outstanding deposits from column one.

Step 9: Enter Outstanding Checks. On *line 3* of the bottom section of the Checkbook Balancing Form, enter the total outstanding checks from column two.

Step 10: Calculate Your Balance. Use a calculator to total lines 1-3 as indicated by the plus and minus signs on the form, and enter the new total on *line 4*. This should equal the balance shown in your checkbook register. If it does not, check for math errors in your checkbook register, such as reversed numbers (e.g., \$53 instead of \$35), subtracting a deposit instead of adding it, adding a check written instead of subtracting it, automatic payments that you forgot to record, etc.

Tips:

- For the easiest method of balancing your checkbook, use the Printable Checkbook Balancing Form below or find a template online.
- Don't fall for common mistakes: 1) never recording the pennies on the checks you write; 2) entering incorrect amounts in your check register to "fool" yourself into thinking you have less money (so you can be pleasantly surprised later or to provide a cushion for errors); or 3) only balancing your checkbook once a year when you do your taxes.
- If you find your checkbook in a mess, you cannot reconcile it despite your best efforts, and you're incurring fees because of errors, sometimes the best thing to do is to open a new account and start over, closing the old account after all checks have cleared.
- If you can't reconcile, see if the amount you're off divides evenly by nine. If it does, it may be a transposed number (you may have written \$53.94 instead of \$53.49, for example).

"An investment in knowledge pays the best interest."

Benjamin Franklin

Checkbook Balancing Form⁵⁹

1. Outstanding Deposits (not included in your statement):		2. Outstanding Checks (not included in your statement):	
Date:	Amount:	Check Number:	Amount:

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

⁵⁹ Original material from Peerlink National Technical Assistance Center.

WORKSHOP 4: SUMMARY

In this section, we learned important information about banking, particularly tips and skills related to checking accounts.

We began by identifying common banking terms and institutions, paying special attention to commercial banks, credit unions, and Internet banks.

Next, we learned about several common banking fees and how to avoid them. We also reviewed the seven steps to opening a bank account.

Then, we explored how a person may end up with a poor banking history and the different options for remedying this type of situation.

Next, we learned about the different types of checking accounts and how to read and write a check.

Lastly, we learned how to balance a checkbook and why it's important.

How can the topics I learned in this section be helpful for me?

Topic	N/A	How this will be helpful to me:
Common banking terms & the different types of financial institutions		
Common banking fees		
How to open a bank account		
What to do if you have a poor banking history		
Different types of checking accounts		
How to read a check		
How to write a check		
How to balance a checkbook		



WORKSHOP 5

DEBIT CARDS, ATMS, ONLINE
BANKING, & MONEY SAFETY

