



Checking Management Podcast

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Nikki:

You're listening to Checking Account Management. Hi. I'm Nikki, your host for today's podcast. A checking account is at the center of your financial life. Without a checking account, simple financial tasks like paying bills, cashing a paycheck and tracking your expenses can become burdensome and costly. That's why it's important to become and remain a successful checking account holder.

This podcast will cover the components to smart checking account management, including checking account fundamentals, deposits, withdrawals, keeping your account in good standing and protecting your account.

Checking account fundamentals. A checking account is a service provided by financial institutions, which allows you to deposit and withdraw money from a federally insured account. Once your money is deposited into a checking account, you can write a check to pay a debt or use an ATM or debit card to access your money.

Unlike a savings account or certificate of deposit, a checking account usually has no limits to the number of withdrawals you can make. This makes a checking account useful for day-to-day money management such as paying for groceries, shopping and paying bills.

Maintaining a checking account with a bank or credit union is a safe, secure and cost-effective way to use your money. With a checking account, there's no need to use expensive check-cashing services or carry around large amounts of cash. If you lose your checks or your debit or ATM card is stolen, you can replace them without jeopardizing your money. Lose your cash and it's gone forever. In addition, banks and credit unions are insured, so within limits your money is protected.

There are several different types of checking accounts. An individual account has only one owner. Some financial institutions offer one basic checking account while others offer a few. If you have a choice, look at the features of each account such as the fees, minimum required balance and services provided, and decide which one best meets your needs.



A joint account is similar to an individual account, only there is more than one account holder. You should only get a joint account with someone you trust. After all, they will have access to your money. Some financial institutions offer special checking accounts for seniors, college students and/or teens. These accounts typically come with a low or no minimum required balance and minimal or no fees.

A business checking account is intended for people who own their own business and want a separate account to handle its finances.

Opening an account. Some checking accounts can be opened online, though most people prefer to apply in person. Opening an account can take several minutes, so be sure to allow for plenty of time. Remember to bring your ID and money for your initial deposit.

To complete your application you'll typically need to provide your name, address, phone number and social security number. Once your application is approved you'll receive your new account number. You may also receive a limited number of temporary checks, but don't worry. Your real checks and ATM or debit card will likely be mailed to you.

One of the more important pieces of information you'll also receive is a fee schedule explaining all the applicable fees you are being and could be charged. Read it.

Getting a checking account is an easy process for most people. However, if you have a check systems report, it could be a challenge. Check systems collects information on negative checking and savings account activity and provides the information to financial institutions. If you have a check systems report, you can get a free copy of it once a year by visiting www.consumerdebit.com or by calling 800-428-9623.

Some financial institutions also check your credit report when you apply for a checking account. You can get a free copy of your credit report once a year through the annual credit report request service at www.annualcreditreport.com or by calling 877-322-8228.

What should you do if you have a check systems report or negative credit report? Talk to your financial institution. They may have different solutions to help you get back on track and open a checking account. If you have an outstanding debt, you may be able to get a checking account if

you pay the debt off. Your financial institution may also be willing to let you open an account if you complete a course on checking account management.

Endorsing a check. Does anyone even use checks anymore? You'd be surprised. Even in this age of electronic payments, many companies still pay their employees with paper checks. In order to deposit or cash a check, you first need to endorse it.

There are three basic types of endorsements. A blank endorsement is made by simply signing your name on the back of a check. You must sign it exactly the way it appears on the 'pay to the order of' line. It's important to understand that once your signature is on the check anyone can deposit it into their account, even if it's not written to him or her.

A restrictive endorsement is made by writing 'for deposit only' on the first line of the back of the check then signing your name underneath. The check can now only be deposited into an account in your name. A special endorsement is used when you want to give the check to another person. To do a special endorsement, write 'pay to the order of' and the name of the person you are giving the check to and then sign your name underneath.

Depositing checks and cash. There are several ways to make a deposit. You can make an in-branch deposit by visiting your financial institution, or you can use an ATM. Also, some financial institutions let you scan a check to deposit it.

To make an in-branch deposit you need to fill out a deposit slip. You may have deposit slips in your checkbook that already have your account number printed on it. Most deposit slips are easy to figure out. Simply write the amount you're depositing in the appropriate section. For instance, there are different sections for dollars, coins and checks.

If you're depositing checks, list each one separately and use the back side if needed. If you need cash back, there will be a section titled 'less cash received'. This is where you can indicate how much money, if any, you want back. If you're using an ATM, be sure to read the instructions for making a deposit. Not all ATMs handle deposits the same way. Some may require a special envelope while others can accept checks and cash without an envelope at all.

Remember to save your receipt. When you receive your statement or check your account activity online, verify that your deposit is correct. When you deposit a check, it's common for all or part of the funds to be placed on hold, which means you won't be able to access the money. Don't worry. This is only while the check is being processed.

Even if you cash a check, a hold will often be placed on an equivalent amount of money in your account. Once the money is deducted from the check writer's account, the hold is lifted and you will be able to access your money. The amount of time this takes varies, but it's usually no more than a few business days.

However, if the check writer does not have enough money in his or her account to cover the check, the check may bounce. If this happens, you won't get the money from the check. In addition, you may be charged a fee. If someone gives you a check that bounces, you should immediately contact that person and give him or her the opportunity to correct the situation. This can include paying you the amount of the initial check as well as any fees you had to pay.

Direct deposit. Direct deposit is a way of electronically transferring money into your account without using a paper check. This is frequently used for paychecks and government benefits such as social security and unemployment insurance. If your employer offers direct deposit, you may want to take advantage of it.

Not only is direct deposit convenient, but you also don't have to worry about your checks getting lost or stolen, and direct deposits are typically processed quicker than paper checks, giving you access to the money sooner. To enroll in direct deposit, ask your employer for a sign-up form.

In addition to providing your account information, you may also need to supply a voided check. To void a check, simply write the word 'void' across it. Once direct deposit is set up you should monitor your account to make sure that the money is being properly deposited. If there are any problems, notify your employer immediately.

Withdrawing money. There are many ways to withdraw and access the money in your checking account. One of the most popular ways is with a debit card, also called a check card. A debit card looks like a credit card, but it's actually used to access the money you currently have in your checking account. There's no credit attached to it.

You can use a debit card at ATMs simply by inserting your card and entering a personal identification number, or PIN for short. There are ATMs literally around the world, but be careful. You may be charged a fee if you use an ATM that's not part of your financial institution's network.

You can also use a debit card at supermarkets, restaurants, many retailers and even online. When using your card, you may be given the option to use debit or credit. If you select debit, you'll need to enter your PIN in a keypad. In some stores you'll also have the option of getting cash back. There is typically no fee charged for the service.

If you select credit as your payment option, you won't have to enter your PIN, but you may have to sign a receipt. Whether you choose debit or credit, your debit card doesn't work like a credit card. You're not borrowing money. You're immediately withdrawing the money you have in your checking account to pay for your purchase.

If you only have \$50 dollars in your account and you try to make a purchase for \$100, the transaction may be denied, or if it is approved, your account may become overdrawn and you may be charged a fee.

Another way to withdraw money is with a paper check. Even if you use your debit card for most transactions, you'll probably still write checks at least once in a while. It's important to fill out the check correctly if you want to avoid having it returned to you. Always use a pen. This prevents someone from erasing what you wrote and writing in something different.

Writing a check is pretty simple. In the upper right corner, fill out the date. In the 'pay to the order of' line, write the name of the person you're writing the check to. In the same line, after the dollar sign, write the amount of the check in numbers. In the line underneath, write out the amount of the check in words and sign your name in the lower right corner.

Filling out the memo line of a check is optional but recommended. Most people list what they are writing the check for or if paying a credit card or other type of bill, their account number. If you make any mistakes, write 'void' across the check and fill out a new check.

It's easy to forget about a check once it leaves your hands. A good tip is to take the time to note at least the following for each check you write. The check number, the date you wrote the check, who

you wrote the check to, what you wrote the check for, the amount of the check and finally, when you know the check has cleared your account, mark that as well. Most checkbooks come with a register where you can record all this information. If not, a piece of paper or spreadsheet will do the trick.

When you write a check, the money is not deducted from your account immediately. The person you wrote the check to still needs to cash your check, and the check still must be processed. Does that mean you have a few extra days before you actually have to have money in your account? No. That's called check floating. It's illegal and a financially dangerous way to manage your money. Today, checks are processed quicker than ever, exposing check floaters to hefty fees and legal ramifications.

Withdrawals can also be made through an electronic check, also called an EFT payment. This is essentially a personal check that is written online. When you write an electronic check, the money is immediately deducted from your checking account, just like your debit card. In fact, the only real difference is the information you're required to provide.

To pay by electronic check, you must provide your financial institution's routing number and your account number. Sometimes a check number is also required. Another way to withdraw money is with an automatic debit. You can set up an automatic debit to take money from your account to pay a bill on a regular basis.

This is a great way to pay your bills since you never have to worry about remembering due dates or paying postage. You do, however, still need to make sure there's enough money in your account to cover the debit. Setting up an automatic debit can be done by filling out an enrollment form. Most businesses provide them on their website or will send you one upon request.

It's a good idea to check your account the day after the scheduled debit date to ensure that the bill was paid. Mistakes sometimes happen, and if the debit for some reason didn't occur, you're still responsible for paying the bill.

The final way to withdraw money is through online bill pay. This gives you the option to simply log into your checking account online and input the amount you want to send to your service provider, lender or whoever else you need to pay. Your account will be deducted and your payment taken care of.



To set up this service, you usually just need to provide your financial institution with the information that is on your bill such as your account number and the company's name and address. It's also a good idea to confirm with your lender or service provider that they accept online bill pay.

Keeping your account in good standing. The most basic and important thing to remember about checking account management is this. You must always have enough money in your account to cover your transactions. Ultimately, keeping your account in good standing is your responsibility.

What happens if you don't have enough money in your account to cover a transaction you've made? That depends on the way your account is set up. If you're not allowed to overdraw your account, your balance can't go below zero. Your debit card transactions will be denied, and your checks will bounce.

For each check you bounce, you can be charged what's called an NSF fee, which stands for non-sufficient funds. If you frequently write bad checks, you could lose your account, and you can even be subject to legal actions. If you are allowed to overdraw your account but have no overdraft protection, your balance can go below zero. This means your debit card and check transactions won't be denied even if you do not have money in your account.

Essentially, you're receiving a loan, and there may be limits to the amount you can be overdrawn and what types of transactions are protected. Without overdraft protection, you'll likely be charged a fee every time you overdraw your account. Furthermore, the amount of the overdrawn transaction can be deducted from your account the next time you make a deposit. Keep in mind your account could be closed if you routinely overdraw your account.

If you have overdraft protection, you're not charged a fee every time you overdraw your account. There's often a monthly fee for this service, but it's usually less than the cost of overdraft and bounced check fees. With overdraft protection, your checking account is typically linked to your savings account, credit card or a line of credit. The amount you overdraw is automatically deducted from or charged to that.

Having the ability to overdraw your account, even with overdraft protection, doesn't mean you don't need to have the money in your account to cover your transaction. Remember, when you overdraw your account, you're not given free money. You still need to pay back the amount you overdraw. It's easy to get stuck in a cycle of constantly paying off overdraft fees. If you find yourself in this situation, reevaluate your spending habits or look for ways to increase your income.



Without a doubt, the best way to prevent overdrawing your account is to monitor your account balance. You don't necessarily need to balance your account every time you buy a dollar pack of gum, but it's definitely a good idea when you're not sure if there's enough money in your account.

It's easy to find out your account balance. Simply call your financial institution or log on to your account online. Once you find out your balance, don't forget to subtract any outstanding checks that haven't been cashed. The ability to overdraw your account can come in handy, but it's always better to manage your finances so that you do not need to do it.

If you don't feel comfortable checking your balance online or over the phone, you can also use the pen-and-paper method. Start with the opening balance. Every time you make a deposit, record it and add it to your balance. Every time you make a withdrawal or write a check, write it down and deduct it from your balance. When you want to know your account balance, you can simply look at your sheet.

Protecting your account. One way to protect your account is to learn how to prevent identity theft. Each year, identity thieves victimize millions of people, stealing account information and ultimately the money in their accounts. While there's no surefire way to prevent identity theft, here are a few things you can do to reduce the likelihood of becoming a victim.

Only carry with you what you need. If you're not going to use your debit card or checks, leave them in a safe place at home. Never carry your pin with you or write it on your debit card. Never share your PIN with anyone. Report a lost or stolen check or debit card immediately.

Under the Federal Electronic Fund Transfer Act, the longer you wait to report unauthorized charges to your account, the more you may be liable. For instance, if you report the charges within two business days, your liability is only \$50. This increases to \$500 dollars if reported within 60 days but more than two days. Finally, unlimited liability if you wait more than 60 days.

Never disclose your account or debit card number over the phone or online unless you know you're dealing with a reputable company. Cut up or shred old debit cards and statements before throwing them away. Because identity theft can occur even if you take steps to keep your account information private, you should regularly inspect your checking account statements for unauthorized charges.

It is also a good idea to check for clerical errors. The traditional method used to monitor statements for accuracy is called balancing your checkbook. To do this, you'll need to record every single deposit and withdrawal that you make. When you receive your statement, compare your records to the statement to see if they match.



Before you can accurately compare your records to your statement you must, one, subtract from your statement balance any checks you wrote that are still outstanding. Two, add to your statement balance any checks that were deposited that have not yet cleared.

Three, if not already done so, add to your records balance any automatic deposits and subtract any automatic withdrawals. Four, add to your records balance any interest earned on your checking account. Five, subtract from your records balance any legitimately charged fees.

If your records and statement are different, you know there's a problem. You may need to do a little research to find out if it's an error or something more serious. For example, if your records say you wrote a check for \$79 to the supermarket and your statement says \$179, look for the check copy or receipt. If it's an error in your record-keeping, fix it. If you believe it's an error by the financial institution or unauthorized charge, call them right away.

If your financial institution offers online banking, you don't have to wait for your statement to look for errors. You can go online whenever you want to look at your recent transactions. Using a checking account properly is neither hard nor time-consuming. It just takes getting into the routine of monitoring your accounts and following a few simple habits. That's all for this podcast. This is Nikki saying goodbye.

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