

Checking Account Basics

Don't feel safe walking around with a lot of cash? Want a safe place for your money with easy access? Maybe you know cash in your pocket is too easily spent. Whatever the reason many people like to manage their day-to-day finances with a checking account. It is a convenient way to handle your transactions and maintain a record of your spending. There are many choices when selecting a checking account and responsibilities that goes along with it.



How do I maintain a checking account?:

- ⇒ Record **all** transactions in your register (checks, debits, and ATMs).
- ⇒ Keep a **running balance** of your account.
- ⇒ **Balance** your checkbook with your monthly statement.

What are Advantages and Disadvantages of a checking account?

Advantages

Convenient—money available
Safer than carrying cash
Proof of payment
Easier budgeting

Disadvantages

Greater responsibility for record keeping
Minimum balance or fee requirements
Cost of over-drafting account can be costly

Questions to ask when shopping around for a safe place for your checking:

• **What types of checking accounts are available?**

There are several types of checking accounts varying in names: Basic checking, “Free” checking, Express checking, “No Frills” checking, Interest bearing, Money Markets. These vary in nature. For more information on the various types see Choosing a Financial Institution at www.aboutchecking.com or www.bankrate.com.

• **Is a minimum balance needed on an account and is it able to earn interest ?**

You must be able to maintain a minimum balance in order to earn the interest.

• **Does the account have ATM or Debit cards available?**

Sometimes a yearly fee may be charged for this convenience and fees may be charged at locations other than the financial institution that holds your account. It is important to record all fees from these transactions.

• **What are account disclosures?**

A financial institution is required to disclose in writing all policies and practices impacting your account. This would include which services have fees and how much, fund availability, deposit account rules, and features of the accounts. These disclosures help you to make informed decisions.

• **Are overdraft protection plans available?**

Fees for overdraft protection may vary, but is typically not free. Funds must be available in some form of savings or an arranged line of credit to cover exceeded amounts. A significant amount is usually charged - \$25 to \$35 - each time a check is processed through your account. Once you make a deposit, the fees will be deducted before checks are honored jeopardizing current transactions. This snowball effect may leave you owing a significant amount of money.

• **Federal Overdraft Protection Rules**

Financial institutions must offer you the choice to “opt-in” or agree to overdraft protection services if you overdraw your account when you use your **debit card or ATM**. BUT if you overdraw your account when you write a **check** or have an **automatic bill payment** from your account, your financial institution can charge you for overdraft protection. If you don't want overdraft protection services on checks and automatic payments, you need to check with your Financial Institution to find out if you can cancel this option or not. For more information, check out: www.federalreserve.gov/consumerinfo/



Choosing a Checking Account



A checking account is an important part of using your money wisely. Use the questions below to help choose an account that's right for you.

Name of Financial Institution:			
Is it located close to home or work?			
Type of Checking Account:			
Is there a monthly fee?			
How many checks can I write a month without an extra fee?			
How much money do I need to open the account?			
How much do I need to keep in my account to avoid fees?			
Does the account come with an ATM or debit card?			
<ul style="list-style-type: none"> If yes, are there fees each time you use the card? 			
<ul style="list-style-type: none"> Which ATM's can I use without a fee? 			
How much do checks cost?			
How many days do I have to wait to withdraw my money after I deposit a check? (also called "clearing" a check)			
What happens if I don't have enough money in my account to cover my check? (also called "bouncing" a check or making an overdraft)			
Are there any other fees or penalties?			
Other questions:			

When you're ready to open a checking account, you generally need **three things**:

- 1) Picture identification, such as a driver's license
- 2) Social Security Number
- 3) Money to put in the account