

Participant Guide

# CHECK IT OUT

FDIC

Money Smart



**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

### **CHECK IT OUT**

How to choose and keep a checking account

### **SETTING FINANCIAL GOALS**

How to keep track of your money

### **PAY YOURSELF FIRST**

Why you should save, save, save

### **BORROWING BASICS**

An introduction to credit

### **CHARGE IT RIGHT**

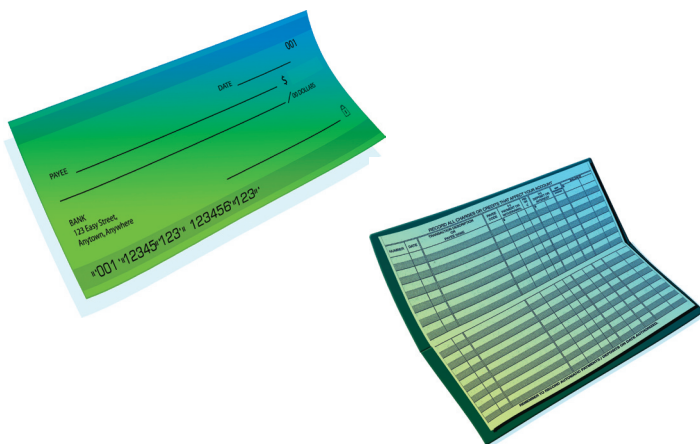
How to make a credit card work for you

### **PAYING FOR COLLEGE AND CARS**

Know what you are borrowing before you buy

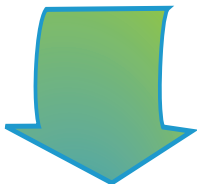
### **A ROOF OVER YOUR HEAD**

What home ownership and renting are all about



## YOUR GUIDES

Some students from Lakeview High are going to be your guides in this lesson. Join them throughout the module in working through some financial situations of their own!



### RAMÓN

Hobbies: Movies or mini golf with his girlfriend

School life: Plays on the soccer team

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

Job: Repairing computers; wants to work for NASA someday

Future plans: College on a soccer scholarship to study engineering



### GRACE

Hobbies: Art, drawing fashion sketches

School life: Prefers not to get into the high school “scene”

Family: Two parents, no siblings

Job: Clothing store at the mall

Future plans: Wants to go to Fashion Design School; her parents want her to go to college; careful with her money so she can buy art supplies



### TODD

Personality: Shy, good sense of humor, intelligent

School life: Likes school but doesn't work very hard at it

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

Family: Mom and sister

Future plans: Plans to attend college but not sure where to go or how to pay for it, but is saving all he can



### JASMINE

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

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

Job: Weekends and holidays at her aunt's gift shop

Family: Younger brother named Dominique, large extended family

Future plans: In-state college, plans to be an exercise physiologist

## PRE-ASSESSMENT

1. **WHICH OF THE FOLLOWING STATEMENTS IS NOT TRUE?**
  - a. Checking accounts are convenient.
  - b. Checking accounts are only for the very rich.
  - c. Checking accounts are less expensive than cash checking services.
  - d. Checking accounts are safe.
  
2. **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 fee
  
3. **WHICH OF THE LISTS BELOW IS THE MOST CORRECT? TO OPEN A CHECKING ACCOUNT, A PERSON NEEDS:**
  - a. Photo identification, Social Security number, money to deposit.
  - b. Proof of residence, Social Security number, and photo identification.
  - c. Social Security number, an excellent credit history, and a deposit.
  - d. Photo identification, proof of residence, and a good credit history.
  
4. **WHICH IF 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 won't charge you.
  - c. You should enter all your withdrawals and deposits in your register.
  - d. Checks that you have written that haven't been cashed won't show up on your bank statement.
  
5. **RECONCILING A BANK ACCOUNT MEANS: (SELECT THE STATEMENT THAT IS MOST TRUE.)**
  - a. Comparing the monthly bank statement with your check register to make sure that there aren't any mistakes.
  - b. Comparing the monthly deposits with the withdrawals.
  - c. Entering bank fees in your register.
  - d. Listing outstanding checks.

## CHECKING IN

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 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 and withdraw money from a checking account.
- Reconcile a check register with a bank statement.



**AGENDA AND  
GROUND RULES**

If you have experience or knowledge in some aspect of the training material, please share your ideas with the class. One of the best ways to learn is from each other. You might be aware of some method that has worked well for you or some pitfall to avoid. Your contribution to the class will make the learning experience that much better.

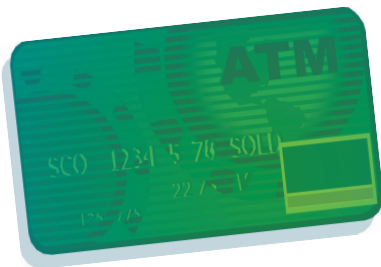
**STUDENT  
MATERIALS**

Each of you has a copy of the *Check It Out! Participant Guide*. It contains:



- Materials and instructions you will need to complete the exercises.
- Checklists and tip sheets related to the module content.
- Space for you to take notes.
- A glossary of the terms used in this module.

*Do you have any questions  
about the module  
overview?*



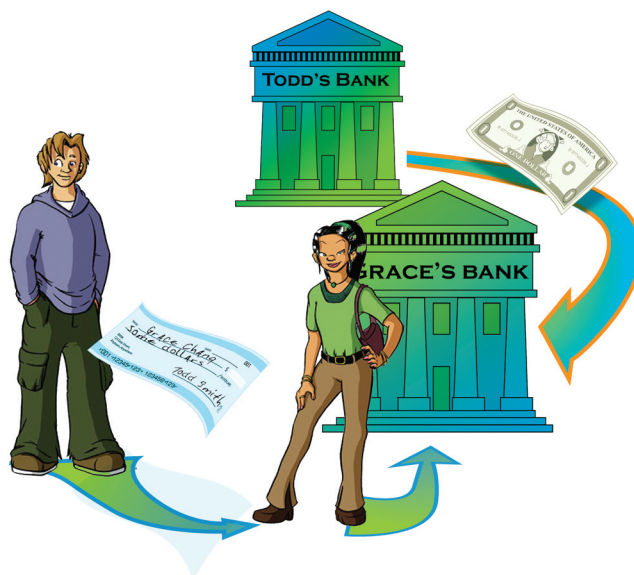


## INCREASING YOUR WEALTH

**BENEFITS OF CHECKING ACCOUNTS** Do you currently have a checking account? Do your parents have a checking account? What comes to mind when you think about checking accounts? What can Jasmine do with her check?

**INTRODUCTION** Whether you have a checking account now, or in the future, a checking account is most useful when you are on your own. A checking account allows you to write checks and/or use a debit card to pay bills and buy goods.

With a checking account, the account holder—for example, Todd—deposits money into his bank account. Todd can then write checks. The person who receives the account holder's check—for example, Grace—usually deposits the check into her own checking account. The bank then takes the money from Todd's account and puts it into Grace's account, because she deposited the check.







What are some benefits of a checking account? There are four key benefits of a checking account:

- Convenience
- Cost
- Better money management
- Safety

### **CONVENIENCE**

Checking accounts are convenient because they provide you with quick and easy access to your money. Using checks and debit cards can take the place of carrying cash. Also, having a checking account allows you to direct-deposit money that comes to you from a job, the government, or other source of income. You have immediate access to money that is direct-deposited.

### **COST**

Using a checking account is usually less expensive than using other services to cash checks or buy money orders. If you have a checking account, you can usually cash a check for free. Check cashing services charge a fee.

### **BETTER MONEY MANAGEMENT**

Using a checking account can also help you manage your money. When you write a check, deposit or withdraw money, use your debit card, or have checks direct-deposited into your account, the bank calls this a “transaction.” You record every transaction you or the bank makes in your “check register.” The check register shows how you are spending your money and how much money is currently in your account.

Keeping a checking account can help you build a relationship with the bank. How well you manage your checking account may be a factor the bank considers when deciding whether to grant you a loan. Having a checking account also helps prove you pay your bills on time.

### **SAFETY**

Using a checking account can help you keep your cash safe. It is safer to use checks and debit cards than to carry large amounts of cash because you do not have to worry about your cash being stolen or lost. However, if your checkbook or debit card is lost or stolen, report it as soon as possible to your bank. The bank will protect you so that you are not responsible for any purchases you do not make.

Keeping your money in an insured financial institution means your money is safe up to the insured limit. This means that if for some reason the financial institution closes, you will receive your insured deposits. The Federal Deposit Insurance Corporation (FDIC) is the government agency that insures deposits at banks and thrifts.

- 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.fdic.gov](http://www.fdic.gov).

*Do you have any questions  
about the benefits of  
checking accounts?*



**TYPES OF CHECKING ACCOUNTS**



There are four types of checking accounts:

- Free or Low-Cost Checking
- Electronic/ATM Checking
- Regular Checking
- Interest-Bearing Checking

**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 – specifically, what kind of account the bank will assign to you.

**ELECTRONIC/ATM CHECKING**

This account usually requires you to use direct deposit. 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

There are also different interest-bearing accounts:

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

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.



### ACTIVITY 1: TYPES OF CHECKING ACCOUNTS

There are a variety of checking accounts available. Depending on a person's circumstances, one type of checking account will be a better fit for the individual.

Look at Activity 1 in the Course Activities section. Follow the directions. Consider the facts of each person and recommend a checking account.



**COMPARING CHECKING ACCOUNTS**

Checking accounts often have fees that are charged by the bank or credit union. These aren't always the same. Every bank has a "Fee Schedule" that you can get when asking about their services.

**FEE SCHEDULE**

Ask for a fee schedule that lists all the fees related to the account. Use the fee schedule to compare the costs of each account.

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



**Monthly service fee**

The monthly service fees is also called a maintenance fee. The bank may charge a fee each month just for having the account. You might also be charged a fee if your balance drops below the required minimum.

**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 user fee**

You will likely be charged fees each time you use an ATM at a bank other than your own. Many ATMs at other locations such as shopping malls, gas stations, or convenience stores also charge a fee unless they are affiliated with your bank.

**Overdraft fees can be expensive!**



**Overdraft fee**

Overdraft fees are also called non-sufficient funds (NSF) fees. The bank will notify you if a check is returned to the person or company to whom it was issued because there wasn't enough money in your account. Your bank will charge you a processing fee for returned checks. Merchants might also charge a fee if a bounced check is used to purchase goods or services.

**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 2: UNDERSTANDING BANKING FEES

Test your understanding of the different fees that banks charge.

Look at Activity 2 in the Course Activities section. What type of fee is the bank charging in each scenario?



## ACTIVITY 3: CHOOSING A CHECKING ACCOUNT CHECKLIST

When choosing a bank it is useful to compare the different fees.

Look at Activity 3 in the Course Activities section. Use this checklist when you are deciding what checking account to have.



## OPENING A CHECKING ACCOUNT

### WHAT'S NEEDED TO OPEN A CHECKING ACCOUNT

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

- Photo identification (ID), usually a state-issued identification card, driver's license, passport, or perhaps even your student ID card. Some banks may accept an alternative form of identification such as a Matrícula Consular card. You might need more than one picture ID to open your account – this is for the protection of both you and the bank. Since practices vary, ask the bank what type of identification you need.



Banks need to be sure you are the person you say you are.



- Your Social Security number (SSN). Some banks may accept an alternative such as an Individual Taxpayer Identification Number (ITIN). This is generally used to help identify you and to look up your credit history.

Banks also report to the Internal Revenue Service any income you earn on a bank account, as interest is taxable.

- The opening deposit. This amount could range from \$1 on up, depending on which checking account you choose.

Some banks will pay for your first box of checks, while other banks will charge you.



- The bank may also offer you an ATM card or debit card. 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 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 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 such as 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, such as completing a check-writing workshop.



## ACTIVITY 4: A CHECKING ACCOUNT AND YOU

When it is appropriate to have a checking account?

Look at Activity 4 in the Course Activities section. Use this checklist to see if a checking account is right for you.



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. See if you can direct-deposit your payroll check to 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

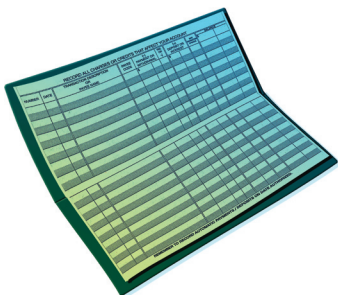
A checking account generally has:

- Check register
- Checkbook
- ATM/Debit card



### CHECK REGISTER

You use a check register to keep track of the money you put into and take out of your checking account. Before computers and the Internet, the paper check register was the only way an account holder could keep track of the money in the account between monthly statements. Today many banks allow users to see their accounts online, and account information can be downloaded to a financial management software program. To understand how a check register works, we are going to use a paper version.



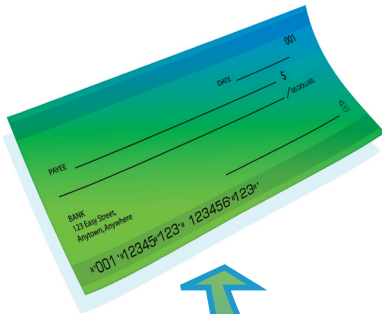




## ACTIVITY 5: THE CHECK REGISTER

The check register has seven columns to help you track the checks, ATM transactions, Point of Sale purchases, and any deposits you make.

Look at Activity 5 in the Course Activities section. You will practice entering transactions in the register.



### CHECKBOOK

The checkbook contains checks and deposit slips for a particular account. **The numbers across the bottom of the check contain the routing number of the bank (the bank's number), the account number, and the number of the check.** These numbers are printed so that machines can easily read them.

### STEPS TO WRITING A CHECK

**A check is 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.

### 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

It is important to record every deposit and withdrawal you make in your check register. When you do this, you can be sure that the amount in the balance column accurately reflects what you have in your account. Banks can use electronic images to transfer checks. This means that a check you present to pay for a good or service may be immediately withdrawn from your account.



### STEP 2: COMPLETE THE BLANK SPACES ON THE CHECK

To write a check, you must fill in the following information:

- Date: be sure to write the complete date, including the month, day, and year; for example, February 26, 20XX.
- Pay to the order of (who is receiving your money). This is where you write the name of the person or company to whom you will give the check. After writing the name, draw a line from the end of the name to the end of the space. This prevents anyone from adding an additional name on your check.
- Amount (in dollars and words) You must write out the dollar amount of the check in numbers, for example, \$19.75. You must also write out the dollar amount of the check in words, for example, “nineteen and 75/100.” After writing out the amount of the check, draw a line to the end. This prevents anyone from adding an additional amount after what you have written.
- Signature. Sign your name here.

You can choose to fill out the:

- Memo section. Writing in this area is optional. You can use it to remind yourself of the reason you wrote the check or to record the account number of the bill you are paying.





## ACTIVITY 6: WRITING A CHECK

The check is one of three ways to withdraw money from your checking account.

Look at Activity 6 in the Course Activities section. Practice writing a check and entering the information in a check register.



### MISTAKES

If you make a small mistake when writing a check, such as 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. Some stores will not accept checks with crossed-out information.

If you make a large mistake, write “VOID” across the check and/or tear it up. A check with VOID across it is no longer usable. Ideally, you should always tear up your check to prevent thieves from stealing your confidential information off the check. Thieves can use the numbers printed along the lower end of the check to steal money from your account.

Regardless of whether you void or destroy a check, record the check as voided in your register so that you have a record that the check was cancelled.



### STEP 3: RECORD THE TRANSACTION IN YOUR CHECK REGISTER

Record your check in your practice check register. Fill in the date, description, and amount of the check.

You can also use a check to get cash out of your account at your bank.

- To do so, you write “CASH” or your name in the “Pay to the Order of” area on your check.
- But, be careful with a check you write out to cash because anyone can endorse the back and receive the money.

*Do you have any questions about how to write a check and record it in your check register?*



## USING ELECTRONIC BANKING

Using your ATM card to deposit money into and withdraw money from your account is known as electronic banking. Electronic banking uses computers to move money into and from your account instead of using checks and other paper transactions.



Electronic banking includes:

- ATM transactions.
- Debit card transactions.
- Electronic bill pay.

## ATM CARDS AND TRANSACTIONS

ATM stands for Automatic (or Automated) Teller Machine. An ATM is a computer terminal that can give you money from your account. You can also deposit money into your account at many ATMs.



**In order to use an ATM, you need either an ATM card or a debit card. You generally are offered an ATM card or a debit card at the time you open your bank account.** Let's look at how these two cards differ.

An **ATM card** allows you to use an ATM machine for transactions. In addition, some ATM cards can be used for point-of-sale (POS) transactions at merchants participating in the same network as your card. With a POS transaction, you input your personal identification number (PIN) into a terminal at the time of purchase and funds are immediately withdrawn from your account.

A debit card, also known as a Checkcard or Mastermoney card, resembles an ATM card, except the debit card displays a MasterCard or VISA logo. A debit card performs all of the same functions as an ATM card (e.g. you can deposit or withdraw money from your account at an ATM). In addition, the debit card also allows you to pay for goods and services at locations that accept MasterCard or VISA, such as grocery stores, gas stations, or restaurants. This means you can simply sign for your transactions, although you may also have the option to input your PIN.



### **PIN (PERSONAL IDENTIFICATION NUMBER)**

The PIN is a code that only you know that allows you to use your card at ATMs or to purchase goods or services in some instances. It is usually mailed to you a few days before or after you receive your card. Your bank may allow you to select your own PIN, or may allow you to change it after you receive the card.

### **HERE ARE A FEW TIPS FOR PROTECTING YOUR MONEY BY PROTECTING THE PIN:**



- Do not tell anyone what your PIN is.
- Do not write it on your card or carry it with you in your wallet or purse.
- Keep a record of your PIN in a location that only you know.
- When using your PIN, make sure no one is trying to watch what number you input.

### **ATM SERVICES**

Most people use ATMs to get cash. Other popular uses include checking your account balance and transferring money between your savings and checking account.

**You will be charged a fee to use an ATM machine that is not operated by your bank.** (Look for the name of your bank on the ATM for an indication whether it is your bank's ATM.) If you must use another ATM, you should look for a sign on the ATM machine or on the screen before you approve the transaction that discloses the fee charged by the ATM's owner. Remember, your bank may also charge an additional fee for using the ATM as well.

### **USING AN ATM**

If you need help learning to use the ATM at your bank, ask for assistance when you open your account.



### **PRINTED RECEIPTS**

It is important to get receipts for your records and also to record all ATM and debit card transactions in your check register.



**When you withdraw money from your account through the ATM machine, the money is immediately deducted from your account.** If you lose track of what you've taken out of your account, you can overdraw your account and the bank will charge you the overdraft fee. This can be expensive and wasteful. If it results in checks "bouncing," you can ruin your reputation and relationships with the people to whom you wrote the checks.

The ATM will ask you if you want a receipt. Be sure to answer "Yes," and then retain the receipt until you reconcile your monthly account statement.

Printed receipts usually include:

- The amount of the transaction.
- Any extra fees charged.
- The date of the transaction.
- The type of transaction, for example, a deposit or withdrawal.
- An identification number or code for your account or ATM card.
- The ATM location or an identification number or code for the terminal you used.

### **SHOPPING**

When using your debit card while shopping, you may be given the choice of either signing your name or using your Personal Identification Number (PIN). You should ask your financial institution whether it charges any fees or offers special incentives if you sign for transactions rather than input your PIN.

Unlike credit cards, which allow you to make purchases now and pay for them later, debit cards deduct the amount from your checking account as soon as you make the purchase.



- You should always expect your purchases to be immediately withdrawn from your account, so always ensure there is enough money in your account to cover the purchase.

### **PROTECTION FROM SOMEONE ELSE USING YOUR CARD**

If someone uses your card without your permission, federal law protects you. But the protection differs depending on whether you used your debit or credit card.

- 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, although 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) 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 two days of discovering the loss or other problem, you could potentially be responsible for more than \$50 of the unauthorized purchases.



It is absolutely critical that you let your financial institution know immediately if someone has used your ATM card, debit card, or credit card without your permission.





## ACTIVITY 7: CREDIT CARDS AND DEBIT CARDS

While credit cards and debit cards look like each other, they are different. It is important to understand the difference.

Look at Activity 7 in the Course Activities section. Discuss the differences between the credit cards and debit cards.



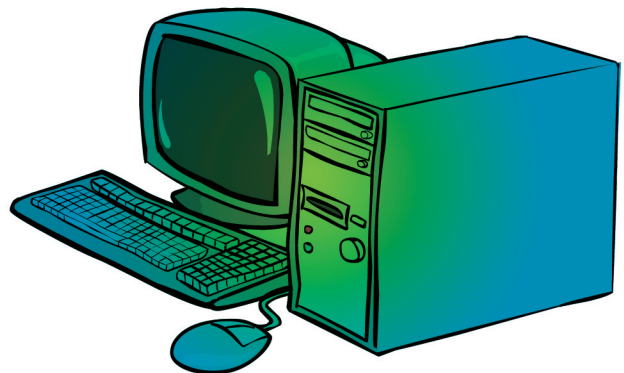
### ELECTRONIC BILL PAY

Electronic bill pay is a service that automatically takes money from your account each month to pay your bills. For example, if you have a monthly car insurance payment, you can sign up to have it deducted each month. You can also use bill pay to make payments to businesses to which you owe money, just as if you were writing a check.

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.

However, you should make sure you have enough money in your account to cover these bills, and make sure you record the payments in your check register.







## ACTIVITY 8: RECORDING A CASH TRANSACTION AND A DEBIT CARD PURCHASE

Every checking account has a register. In addition to checks, cash withdrawals and point-of-sale purchases should be tracked in the register.

Look at Activity 8 in the Course Activities section. Practice entering a cash withdrawal and a debit card purchase.



### ADDING MONEY TO YOUR CHECKING ACCOUNT

There are four ways to add money to your checking account: You can make:



- A cash or check deposit using a teller.
- An ATM deposit.
- A deposit by mail.
- A direct deposit.

### CASH DEPOSIT WITH A DEPOSIT SLIP

To add money to your account, you need to make a deposit. When making a deposit, you fill out a deposit slip to let the teller know how much you are depositing. Deposit slips are included in your checkbook and have your account number printed on them. They are found at the back after the checks.

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 of paper money and write the amount in the box marked “Cash” or “Currency.”
- Add up the coins you wish to deposit and write the amount in the box marked “Coin.”
- Add up the “Cash” and “Coin” boxes to get the “Net Deposit.”
- You then give the teller your deposit slip and your cash. The teller will also count the money before depositing it into your account.

If you run out of deposit slips, you can get blank ones at your bank. Make sure to write your name and account number on the slip so your money does not go into someone else’s account.



## ACTIVITY 9: DEPOSITING CASH

The deposit slip in the check book contains the bank account number. Use this deposit slip to add cash to your account.

Look at Activity 9 in the Course Activities section. Practice filling out a deposit slip.



### CHECK DEPOSIT WITH A DEPOSIT SLIP

The first thing you need to do to deposit your check is sign the back of it.

If you want to deposit the entire check into your account, write “For Deposit Only,” your account number, and your signature. 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.

You will need to fill out a deposit slip when depositing checks into your checking account.



- If you deposit more than one check, make sure to correctly endorse each one and write the amount of each check on your deposit slip. Use a separate line on the deposit slip to list the amount of each check.
- If you have more than a few checks, you can use the back of the deposit slip to list them. You need to add up the amounts of the checks on the back of the deposit slip and transfer this total to the front.
- Enter this amount in the box labeled “Or Total From Reverse.”
- When you deposit your check(s), you can also receive cash back if there is enough money in your account to cover the check(s).
- Net deposit is the amount that will go into your account after you subtract any cash that you are receiving.

Please note that the bank may not always allow you to immediately withdraw all the money from a check that you deposited. Ask the bank when the deposited funds will be available for withdrawal.

*Do you have any questions about depositing checks and entering them in the check register?*





## ACTIVITY 10: DEPOSITING A CHECK

Checks made out in your name must be endorsed in order to be deposited into your account.

Look at Activity 10 in the Course Activities section. Practice depositing a check into a checking account and receiving cash back.



Every deposit should be recorded in your check register. When you deposit a check and receive cash back, you can record it one of two ways. You can enter it as two entries or as one entry.

For instance:

- **Date: March 23, 20XX**
- **Deposit/Credit (+): \$50.00**
- **New Balance: \$215.00**

AND

- **Date: March 23, 20XX**
- **Payment/Debit (-): \$25.00**
- **New Balance: \$190.00**

Or you can do it as one entry:

- **Date: March 23, 20XX**
- **Deposit/Credit (+): \$50.00**
- **Payment/Debit (-): \$25.00**
- **New Balance: \$190.00**



Keep in mind that when you deposit a check, it might take a few days before you can use your money. This is because it takes a few days to process the check.

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

Be careful not to take out cash or write checks until the money you deposited is available.

### **ATM DEPOSITS**

The second way to make a deposit is to use your bank's ATM. Making an ATM deposit is similar to making an ATM withdrawal. The ATM will prompt you through the steps needed to deposit money into your checking account.



ATMs have special envelopes that you use to make deposits. The envelopes are found on or near the ATM.

**You do not always have to use a deposit slip when making ATM deposits. But you need to fill in the information listed on the envelope if your bank requests it.** This information could include:

- Your name
- Phone number
- Account number
- Deposit amount
- Type of account

With some ATM machines, you may not even have to use an envelope, since you enter this information using the machine and then feed your cash or check deposit into the ATM.

Always remember to get a receipt so you have proof that you made the deposit.

### **DEPOSIT BY MAIL**

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

### **DIRECT DEPOSIT**

The fourth way to add money to your checking account is through direct deposit.

**Direct deposit occurs when your employer or a government agency gives you your paycheck or other check electronically.**



- You will not receive the check in the mail. In some cases, your payroll or benefits check statement is mailed to your home address.
- The money is immediately available when your bank or credit union opens. Some banks will not charge monthly fees if direct deposit is used.

With direct deposit:

- You have one less thing to worry about because it is the safest way for you to receive your money.
- You can avoid the inconvenience and/or expense of depositing or cashing a check – you have an easier and more convenient way to access your money.
- You take control over your money and your time because it is predictable and dependable.
- Signing up is quick and easy – ask your employer for more details.

Finally, always remember to record the amount deposited in your check register.

*Do you have any questions about adding money to your checking account?*



**KEEPING AN  
ACCURATE  
RECORD OF  
YOUR CHECKING  
ACCOUNT**

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



To keep an accurate record, you need to:

- 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.

Let's take a look at each of these steps.

### 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.

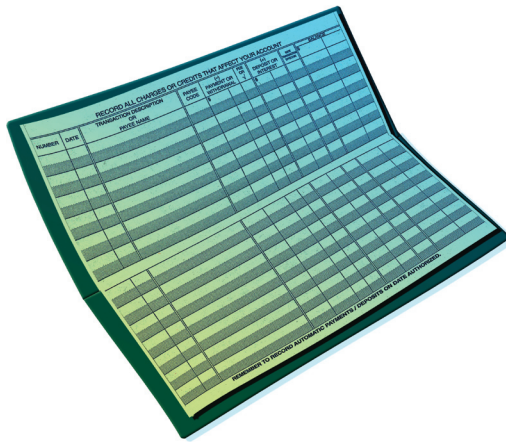
### RECORD INTEREST AND MAINTENANCE FEES

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. We will take a look at that statement in a minute.



- You will need to add this interest to your check register. A good time to do it is when you receive your statement.
- Record the interest in the “Deposit/Credit (+)” column of the check register.

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

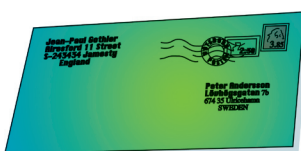


### THE MONTHLY CHECKING ACCOUNT STATEMENT

The bank will generally prepare a statement for your checking account once a month. The statement lists all of the transactions that occurred during the preceding month. These transactions include:



- Checks you wrote that have cleared (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. Many banks also provide these statements on line. You may even be able to ask the bank to forgo sending you a paper statement and just make it available online for you to download.

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 amiss, or have other questions about your statement, be sure to contact your bank's customer service representative immediately.





## ACTIVITY 11: THE BANK STATEMENT

The bank statement is the key to maintaining your account.

Look at Activity 11 in the Course Activities section. Your instructor will describe each section of the bank statement.



### HOW TO RECONCILE YOUR CHECKING ACCOUNT

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



When you get your monthly checking account statement, there usually will be a difference between the statement balance and your check register balance.

These differences occur because:

- You did not record fees and interest in your register.
- You forgot to record some transactions on the bank statement in your check register.
- Some transactions in your check register were made too late to be recorded on the bank statement.

Reconciling your checking account helps you find the reasons for the differences.

Many people reconcile their accounts using a software application.







## ACTIVITY 12: RECONCILING YOUR ACCOUNT

Most banks have a reconciliation form and instructions on the back of the monthly statement to help you reconcile your account.

Look at Activity 12 in the Course Activities section. This is an example of a typical reconciliation form.



To reconcile your checking account:

CHECKS OUTSTANDING - NOT CHARGED TO ACCOUNT		Bank balance shown on this statement	1
Check Number	Check Amount		
2		Subtract withdrawals outstanding	2
		Total	
		Add deposits outstanding	3
		Balance	3
		This balance should agree with the balance in your check register.	

- 1 **STEP 1:** On the Checking Account Reconciliation Form, in the area called “Balance shown on this statement,” write the amount of the “New Balance.”
- 2 **STEP 2:** Compare the checks, fees, and other withdrawals you entered in your check register with the checks, fees, and other withdrawals listed on the checking account statement. Make sure everything listed in your check register appears on the checking account statement and that everything on your bank statement is in your register. It is useful to start with the bank statement and check off each item in your register. Then you can quickly see what is not in your register, and what is not on your statement.

On the reconciliation form, list any checks or other withdrawals you have made that aren’t on your statement, add these up and subtract these from the balance shown on the bank statement.

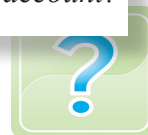
- 3 STEP 3:** The next step is to add any deposits that were made after the ending date of the checking account statement. These deposits will not appear on the statement.

Write these deposits on the area of the Checking Account Reconciliation Form called “Add deposits outstanding.” There is space to write each deposit.

Now add these deposits to the withdrawals outstanding and put the number in the area of the Checking Account Reconciliation Form called “Balance.”

When the “Balance” number on the Account Reconciliation form equals the number in the check register, you have successfully reconciled your checking account.

*Do you have any questions about how to reconcile a checking account?*



### **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 the dollar amount of the error.
- The date the error occurred.
- The bank must receive notice of the error no later than 60 days after the date of the statement. But be sure to contact the bank as soon as possible to minimize your potential losses in the event your account information were stolen.

If your address changes, you can complete and return the “change of address” form on the back of your checking account statement or you can call your bank.

If you decide to close your checking account, make sure that all the checks you have written have been cashed before you close it.



**It is very important it is to keep an accurate balance in your checkbook.** If you write a check without enough money in your account to cover the check, it is known as writing a bad check or “bouncing” a check.

Writing bad checks can have very serious consequences for you:

- Each bad check might cost you a fee of as much as \$38.
- Checks you write later might not get paid.
- This negative activity can be reported to an account verification company such as ChexSystems or TeleCheck. This can make it difficult in the future to cash or write checks and to open an account.
- Your bank can close your account and send a negative report to the credit bureaus, and the amount of the overdraft and fees might be reported to a collection bureau.



**Writing a bad check, when you know it is a bad check, is a crime in every state.** Each state has different civil and criminal penalties, such as fines and jail time. For this reason, if you ever do mistakenly write a bad check, you should correct it as soon as possible.

### **OVERDRAFT PROTECTION**

Many financial institutions offer “courtesy overdraft protection” or “bounce protection” plans so that your checks do not bounce and you do not overdraw your account. With these plans, you will avoid the merchant’s returned check fee, but you still will have to pay the financial institution a fee for each item. These fees can be costly. Also remember that, unlike an overdraft line of credit, with bounce protection there is no guarantee that your bank will cover your checks, ATM withdrawals, and debit card and other electronic transactions that overdraw your account.

You may also be able to have your checking account linked to a credit card or your savings account. When you do not have enough money in your account to cover an item, money is taken from the credit card or savings account to cover it.

The bank may charge a small fee for each transfer from your savings account, but you will not pay interest since you are essentially borrowing from yourself. You can expect to pay a cash advance fee and interest on funds transferred to your checking account from your credit card.

Ask your bank’s customer service representative for more information.





## CHECKING YOUR BALANCE

### MODULE SUMMARY



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:

- The benefits of having a checking account instead of using a check-cashing service.
- The types of checking accounts available.
- How to open a checking account.
- How to write checks.
- How to use ATM and debit cards.
- How to make deposits and withdrawals.
- How to keep accurate records.
- How to reconcile 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.

*Do you have any final questions?*



## KNOWLEDGE CHECK

1. **WHICH OF THE FOLLOWING STATEMENTS IS NOT TRUE?**
  - a. Checking accounts are convenient.
  - b. Checking accounts are only for the very rich.
  - c. Checking accounts are less expensive than cash checking services.
  - d. Checking accounts are safe.
  
2. **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 fee.
  
3. **WHICH OF THE LISTS BELOW IS THE MOST CORRECT? TO OPEN A CHECKING ACCOUNT, A PERSON NEEDS:**
  - a. Photo identification, Social Security number, money to deposit.
  - b. Proof of residence, Social Security number, and photo identification.
  - c. Social Security number, an excellent credit history, and a deposit.
  - d. Photo identification, proof of residence, and a good credit history.
  
4. **WHICH IF 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 won't charge you.
  - c. You should enter all your withdrawals and deposits in your register.
  - d. Checks that you have written that haven't been cashed won't show up on your bank statement.
  
5. **RECONCILING A BANK ACCOUNT MEANS: (SELECT THE STATEMENT THAT IS MOST TRUE.)**
  - a. Comparing the monthly bank statement with your check register to make sure that there aren't any mistakes.
  - b. Comparing the monthly deposits with the withdrawals.
  - c. Entering bank fees in your register.
  - d. Listing outstanding checks.



# COURSE ACTIVITIES

## **ACTIVITY 1: TYPES OF CHECKING ACCOUNTS**

**You will be assigned one of the scenarios below. Your task is to discuss the scenario and decide what type of checking account you would recommend and why. The types of checking accounts are described in your participant guide.**

### **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 can’t get to the bank during normal banking hours. She writes checks for all the bills, including mortgage, utilities, telephone, and groceries. She also writes checks for the various extra-curricular activities of Jasmine and Dominique. Their father direct deposits his child support into Carolyn’s account. Carolyn believes in keeping a large cushion in her 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 don’t write many checks.

What kind of banking account would you recommend? Why?

### **RAMÓN’S PARENTS**

Ramón’s mother and father have their own business. They started as a small grocer and have been able to grow the business to a large supermarket with 18 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.

What kind of banking account would you recommend? Why?



## ACTIVITY 2: UNDERSTANDING BANKING FEES

### STARS AND STRIPES BANK CHECKING ACCOUNT FEE SCHEDULE

<b>Monthly Service Fee</b>	<b>\$3 (This fee is waived if you keep a minimum daily balance of \$500.)</b>
<b>ATM transaction fees</b>	
<b>Stars and Stripes banks</b>	<b>FREE</b>
<b>Other banks</b>	<b>\$2</b>
<b>Overdraft, or insufficient funds fee</b>	<b>\$29 per item</b>
<b>Stop payment requests</b>	<b>\$19 per item</b>

The Stars and Stripes bank has a branch at the high school.

#### ANSWER THE FOLLOWING QUESTIONS

1. Ramón has a checking account with Stars and Stripes bank. Last month he used the ATM at the bank 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?
  
2. Two weeks ago, Grace, who also has an account at Stars and Stripes Bank, wrote a \$250 check to pay for a week-long ski trip and gave it to her teacher, Mr. Grey. Someone stole Mr. Grey's computer case where he was keeping the ski-trip checks before 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?



## ACTIVITY 3: CHOOSING A CHECKING ACCOUNT CHECKLIST

When looking for a checking account, take this checklist with you. It lists the types of checking accounts and some questions that will help you choose the checking account that is right for you. Compare your needs with what each account has to offer.

	Bank A	Bank B	Bank C
<b>Name of Bank</b>			
<b>Low-cost checking account</b>			
<b>Monthly fee?</b>			
<b>Number of free checks per month?</b>			
<b>ATM checking account</b>			
<b>Paycheck direct deposit?</b>			
<b>Monthly fee?</b>			
<b>Fee for teller services?</b>			
<b>Unlimited check writing?</b>			
<b>Regular checking account</b>			
<b>Minimum balance or monthly fee?</b>			
<b>Unlimited check writing?</b>			
<b>Interest-bearing checking accounts</b>			
<b>Minimum balance or monthly fee?</b>			
<b>Amount of interest?</b>			
<b>Transaction restrictions?</b>			
<b>Other fees charged? (List)</b>			
<b>Close to work, school or home?</b>			
<b>Other services offered that are important to me? (List)</b>			

## ACTIVITY 4: A CHECKING ACCOUNT AND YOU

**Is a checking account useful to you?**

**ANSWER THE FOLLOWING QUESTIONS.**

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 need to know how you are spending money? \_\_\_\_\_
5. Do you ever lose cash or find it disappears quickly? \_\_\_\_\_

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

It would be a very bad option if you aren't willing to keep track of what you have in the bank. You might bounce checks and that would be expensive.

### 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 Social Security number? \_\_\_\_\_**

**3. A deposit with which to start an account? \_\_\_\_\_**

If you have identification, a Social Security number and money to deposit, you can open an account.

## ACTIVITY 5: USING A CHECKING ACCOUNT REGISTER

The register below is a practice register. Follow your instructor's directions.

1	2	3	4	5	6		7
Check Number	Date	Description of Transaction	Payment/ Debit ( - )	Fee	Deposit/ Credit ( + )		Balance

- 1. Check Number:** If you are writing a check, record the check number in this column. If not, leave it blank.
- 2. Date:** Write the date on which you wrote a check, made a deposit, or took money out (made a withdrawal) or were charged a service fee.
- 3. Description of Transaction:** Record items such as to whom you wrote the check, the reason for the deposit, or the location of the withdrawal (e.g., ATM or debit card).
- 4. Payment/Debit (-):** Record the dollar amount of checks written, ATM withdrawals, or debit card transactions.
- 5. Fee:** Record any fees charged, such as a monthly maintenance fee or an ATM fee.
- 6. Deposit/Credit (+):** Record any deposits or credits made to your account.
- 7. Balance:** Add any deposits or credits and subtract any fees, payments, or other debits to your account to get the new balance.

## ACTIVITY 6: WRITING A CHECK

On February 26, 20XX [choose your current year], you decide you want to buy a shirt from a store called BestTees. The shirt costs \$19.75, including tax.

THE CHECK BELOW IS A “PRACTICE CHECK.” COMPLETE THE CHECK.

The image shows a practice check form with the following fields and labels:

- YOUR NAME
- YOUR ADDRESS
- YOUR PHONE NUMBER
- Date: \_\_\_\_\_
- 105
- 00-8879
- 770
- PAY TO THE ORDER OF \_\_\_\_\_
- \$ \_\_\_\_\_
- \_\_\_\_\_ Dollars
- FINANCIAL INSTITUTION
- Memo \_\_\_\_\_
- :00000000 : 0000 0000 0 000 0 0.:

### COMPLETE THE FOLLOWING AREAS WHEN WRITING A CHECK:

1. Date. Be sure to write the complete date, including the month, day, and year; for example, February 26, 20\_\_.
2. Pay to the Order of. This is where you write the name of the person or company to whom you will give the check. After writing the name, draw a line to the end of the space. This prevents anyone from adding an additional name on your check.
3. \$. Write the dollar amount of the check in numbers, for example, \$19.75.
4. Dollars. Write the dollar amount of the check in words, for example, “nineteen and 75/100.” After writing out the amount of the check, draw a line to the end. This prevents anyone from adding an additional amount after what you have written.
5. Memo. Writing in this area is optional. You can use it to remind yourself of the reason you wrote the check or to record the account number of the bill you are paying.
6. Signature line. Sign your name here.

**CHECK WRITING TIPS**

- Write in blue or black ink.
- Write clearly.
- Remember to record each check you write in your check register.

If you make a small mistake, such as 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. Some stores, however, will not accept checks with crossed-out information.

If you make a large mistake, write “VOID” across the check or tear it up. A check with VOID across it is no longer usable. Shredding the check is preferable because criminals can use the numbers printed on the check to steal money out of your account.

## ACTIVITY 7: CREDIT CARDS AND DEBIT CARDS

	Credit Cards	Debit Cards
Payments	<b>Buy now, pay later.</b>	Buy now, <b>pay now.</b>
Interest Charges	<b>Yes</b> , if you carry a balance or your card offers no “grace period” (time to repay without incurring interest).	<b>No.</b>
Other Potential Benefits	<b>Freebies</b> , such as cash rebates and bonus points good for travel deals. Some purchase protections.	Easier and <b>faster than writing a check</b> . Avoids debt problems. More cards are now offering freebies. Some purchase protections.
Other Potential Concerns	<b>Fees and penalties</b> . Also <b>not all cards offer grace periods</b> . Overspending can cause <b>debt problems</b> .	<b>Fees</b> on certain transactions. You may <b>overdraw your account</b> if you don’t record your debit card transactions.
Liability in the event of unauthorized transactions	Liability for unauthorized transactions capped at \$50. The credit card company may voluntarily waive your liability.	Unauthorized transactions are immediately taken out of your checking account. Your liability is capped at \$50 if you notify the bank within two business days after discovering the theft. Otherwise, you may be responsible for a larger amount.



## **ACTIVITY 8: RECORDING A CASH WITHDRAWAL AND A DEBIT CARD TRANSACTION**

**Use your practice register (Activity 5) to enter two withdrawals.**

### **FIRST WITHDRAWAL**

You decide to withdraw \$40.00 from an ATM. You do this on March 12.

### **SECOND WITHDRAWAL**

You use your debit card to purchase lunch at a sandwich shop for \$5.25. That purchase occurred on March 22.

What is your account balance now?

---

## ACTIVITY 9: DEPOSITING CASH

You deposit \$30.00 cash into your account on March 22.

**FILL IN THE DEPOSIT SLIP TO DEPOSIT MONEY INTO YOUR ACCOUNT, AND COMPLETE THE PRACTICE REGISTER.**

<b>Your Name</b>					
<b>Your Address</b>					
<b>DEPOSIT TICKET</b>	<b>Your Phone Number</b>				
<b>DATE</b>					
<small>DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL</small>					
<small>SIGN HERE IF CASH RECEIVED FROM DEPOSIT</small>					
<b>YOUR FINANCIAL INSTITUTION</b>		<b>CURRENCY</b>			
<b>YOUR CITY, STATE Zip Code</b>		<b>COIN</b>			
<b>DO NOT USE FOR AUTOMATIC PAYMENT OR CHECK TRANSACTIONS</b>		<b>Check</b>			
		<b>OR TOTAL</b>			
		<b>OR CASH RECEIVED</b>			
		<b>SUBTOTAL</b>			
		<b>LESS CASH RECEIVED</b>			
		<b>NET DEPOSIT</b>			
:00000000 : 00000 00000.:					

## ACTIVITY 10: DEPOSITING A CHECK

Later on the same day, March 22, you receive a check for \$50.00. You deposit it and receive \$25.00 in cash.

FILL IN THE DEPOSIT SLIP TO DEPOSIT A CHECK INTO YOUR ACCOUNT AND RECEIVE CASH BACK. RECORD THE TRANSACTION IN YOUR CHECK REGISTER.

Your Name		CURRENCY		
Your Address		COIN		
DEPOSIT	Your Phone Number	Check		
TICKET		OR TOTAL		
	<u>DATE</u>	<small>OR TOTAL</small>		
	<small>DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL</small>	<small>OR TOTAL</small>		
	<small>SIGN HERE IF CASH RECEIVED FROM DEPOSIT</small>	CHECKS		
	YOUR FINANCIAL INSTITUTION	SUBTOTAL		
	YOUR CITY, STATE Zip Code	LESS CASH		
	DO NOT USE FOR AUTOMATIC	RECEIVED		
	PAYMENT OR CHECK	NET		
	TRANSACTIONS	DEPOSIT		
	:00000000 : 00000 00000.:			

## ACTIVITY 11: THE BANK STATEMENT

**SAMPLE CHECKING ACCOUNT STATEMENT**

1  
↓

2  
↓

3  
↓

4  
↓

Your Bank Street Address City, State Zip	Your Name Street Address City, State Zip Account Number 0000000000		
<b>Summary of Account Activity</b> For period ending 3/20/20__ Date of last statement 2/20/20__			
Date	Transaction Description	Withdrawal/ Deposit Amount	Balance
2/20	Opening Balance Deposit	200.00	200.00
2/26	Check #105	-19.75	180.25
3/12	ATM Withdrawal	- 40.00	140.25
3/18	Monthly Fee	-5.00	135.25
<div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"> <div style="border: 1px solid black; padding: 2px 5px; margin-bottom: 5px;">5</div> <div style="border: 1px solid black; padding: 2px 5px; margin-bottom: 5px;">6</div> </div> <div style="text-align: center;"> <p><b>Cleared Checks</b></p> <p><b>Check #</b> 105</p> <p><b>Amount</b> 19.75</p> </div> <div style="text-align: center;"> <div style="border: 1px solid black; padding: 2px 5px; margin-bottom: 5px;">7</div> </div> </div>			
<b>Summary</b>			
Previous Balance	Total Deposits	Total Withdr.	No. of Checks
\$200.00	\$0	\$ 64.75	1
			No. ATM Transactions
			1
			No. of Deposits
			0
			Service Charge
			\$5.00
			New Balance
			\$135.25

## ACTIVITY 12: CHECKING ACCOUNT RECONCILIATION FORM

Use this form to reconcile your practice account. Use the bank statement in Activity 11, and your practice register in Activity 5. Follow your instructor's directions.

CHECKS OUTSTANDING - NOT CHARGED TO ACCOUNT		Bank balance shown on this statement	
Check Number	Check Amount		
		Subtract withdrawals outstanding	
		Total	
		Add deposits outstanding	
		Balance	
		This balance should agree with the balance in your check register.	

## HOW TO RECONCILE YOUR CHECKING ACCOUNT

**STEP 1:** On the Checking Account Reconciliation Form, in the area called “Balance shown on this statement,” write the amount of the “New Balance.”

**STEP 2:** Compare the checks, fees, and other withdrawals you entered in your check register with the checks, fees, and other withdrawals listed on the checking account statement. Make sure everything listed in your check register appears on the checking account statement. It is useful to start with the bank statement and check off each item in your register. Then you can quickly see what is not in your register and what is not on your statement.

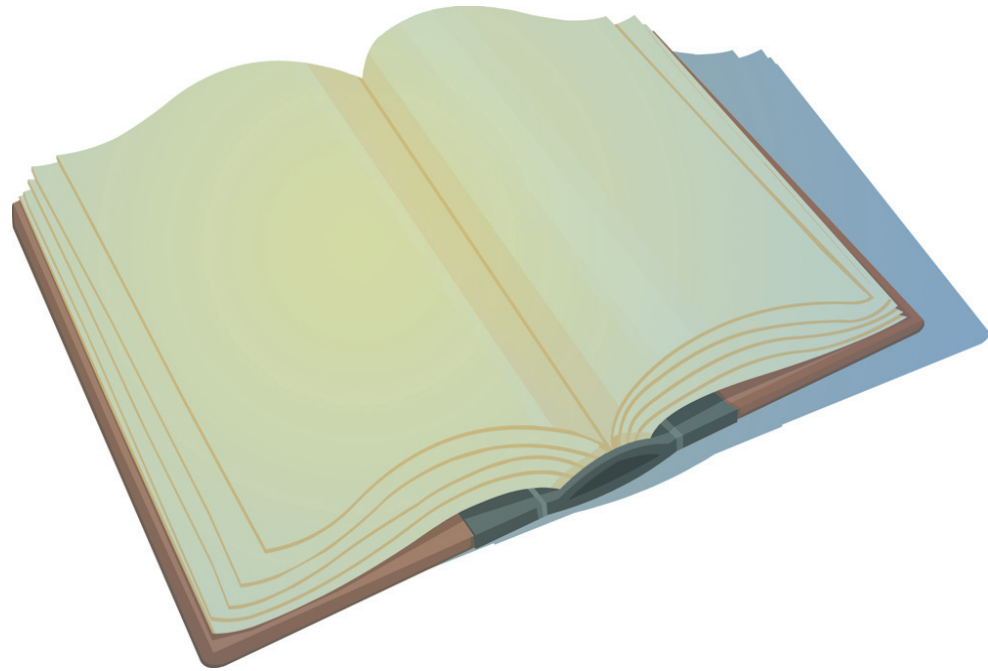
If a check has not been cashed, it will not appear on the checking account statement.

- List these checks in the area of the Checking Account Reconciliation Form called “Checks Outstanding – Not Charged to Account.”
- After listing the check numbers and the amounts of these checks, add them up and enter the total at the bottom of the statement.
- Next, take a look at other withdrawals or fees that are in the check register but not on the checking account statement.
- Write the amount of withdrawals and fees in the area on the Checking Account Reconciliation Form called “Subtract withdrawals outstanding.”
- Subtract the total withdrawals outstanding from the balance from the checking account statement.
- Write this amount in the last column next to “Total” on the Checking Account Reconciliation Form.
- If there were any outstanding checks, plus a number of other withdrawals that were not on the checking account statement, add them all up and write the total in the “Subtract withdrawals outstanding” area of the Checking Account Reconciliation Form.

**STEP 3:** Add any deposits that were made after the ending date of the checking account statement. These deposits will not appear on the statement.

- Write these deposits on the area of the Checking Account Reconciliation Form called “Add deposits outstanding.” There is space to write in several deposits.
- Add the total you got after subtracting the withdrawals outstanding from the checking account statement balance and the deposits.

This answer should equal the balance in your check register. If it does, you have successfully reconciled your checking account. If it does not, you need to go back and recheck your work.



# GLOSSARY

### **AUTOMATED TELLER MACHINE (ATM)**

An ATM is a computer terminal that can give you money from your account. You may also be able to deposit money into your account at an ATM. You can make deposits and withdrawals 24 hours a day, 7 days a week.

### **CHECK**

A check is 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.

### **CHECK REGISTER**

A booklet that comes with your checkbook when you open a checking account in which you write all of the deposits to and withdrawals from your account.

### **CHECKING ACCOUNT**

A checking account allows you to write checks to pay bills and buy goods. The financial institution takes the money from your account and pays it to the person or company named on the check. You can also buy goods with the money in your checking account by using a check card. You can deposit money into and withdraw money from your checking account in a number of ways. The financial institution will send you a monthly statement that lists the deposits and withdrawals you made, the checks you wrote, and the purchases you made with your check card.

### **DEBIT CARD**

A debit card is similar to an ATM card, but it has more functions. In addition to allowing you to deposit cash into and withdraw money from your checking account at many ATMs, debit cards allow you to make purchases at retail locations that accept credit cards, such as department stores or gas stations. They generally feature either a Visa or MasterCard logo.

### **DEPOSIT**

A deposit is money you add to your account. When you add money to your account, you must fill out a deposit slip. A deposit slip tells the bank how much money you are adding to your account. Depending on what you deposit – cash, a payroll check, or a check drawn on an out-of-state bank – you may not have immediate use of the funds. The bank must first make sure there are funds at the originating bank to cover your check. You can ask the bank when you can use the money you deposited.

### **DEPOSIT SLIP**

When making a deposit, you fill out a deposit slip to let the teller know how much you are depositing. Deposit slips are included in your checkbook and have your account number printed on them.



### **DIRECT DEPOSIT**

Direct deposit is a method your employer or a government agency might choose to give you your paycheck or benefits check. Your paycheck or benefits check is electronically transferred and directly deposited into your account. You will not receive the check in the mail. Your payroll or benefits check statement is mailed to your home address. The money is immediately available. Some banks will not charge monthly fees if direct deposit is used.

### **ENDORSEMENT**

When you sign the back of a check, you are “endorsing” it. This means that the check can be cashed.

### **ELECTRONIC BANKING**

Using your ATM card to deposit money into and withdraw money from your account is known as electronic banking. Electronic banking uses 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 ATM transactions.

### **ELECTRONIC BILL PAY**

Electronic bill pay is a service that automatically takes money from your account each month to pay your bills. For example, if you have a monthly car insurance payment, you can sign up to have it deducted each month.

### **FEES**

Financial institutions charge different fees for different services. For example, you might be charged a monthly maintenance fee for keeping your account open. In addition, you might also be charged a penalty fee if you misuse your account, for example, by bouncing a check.

### **FEE SCHEDULE**

A bank document that lists the fees you might be charged for certain activities related to a checking account. Some of the most common fees include a monthly service fee, an ATM user fee, an overdraft fee, and a stop-payment fee. You can use the fee schedule to compare the costs of checking accounts at different banks.

### **INTEREST**

Interest is the extra money in your account that the bank pays you for keeping your money. One of the main advantages of having a deposit account is the interest you earn.

### **RECONCILIATION**

When you get your monthly checking account statement, there will usually be a difference between the statement balance and your check register balance. These differences occur because:

- There may be some transactions on the bank statement that you missed.
- There may be some transactions in your check register that were made too late to be recorded on the bank statement.

Reconciling your checking account helps you find the reasons for the differences.

### **SUBSTITUTE CHECK**

This is an electronic image of your check that has the same standing as the actual check. Banks now use electronic checks instead of waiting to receive the paper check.

### **SIGNATURE CARD**

A signature card is a form you complete and sign when you open an account. This is the contract that identifies you as the owner of the account. Your signature is used to verify your signature on checks and withdrawals. Signing the signature card also means that you accept the fees, terms, and conditions of the account.

### **TRANSACTION**

When you write a check, deposit or withdraw money, use your check card, or have checks direct-deposited into your account, the bank calls this a “transaction.”

### **WITHDRAWAL**

A withdrawal is the process of taking money from your bank account. You do this by writing a check, using an ATM, or giving a teller a withdrawal slip. A withdrawal slip looks similar to a deposit slip, except you are taking money out rather than adding money to your account. You need to be sure you do not withdraw more money than you have in your account. If you do, you will be overdrawn – or “bounce” a check – and be charged a fee.

## FOR FURTHER INFORMATION

### **FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC)**

Division of Supervision &  
Consumer Protection

2345 Grand Boulevard, Suite 1200  
Kansas City, Missouri 64108

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

Email: [consumer@fdic.gov](mailto:consumer@fdic.gov)

[www.fdic.gov](http://www.fdic.gov)

### **U.S. FINANCIAL LITERACY AND EDUCATION COMMISSION**

[www.mymoney.gov](http://www.mymoney.gov)

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

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, balancing your checkbook, or investing in your 401k, the resources on MyMoney.gov can help you.

Throughout the site, you will find important information from 20 Federal agencies.

### **FEDERAL CONSUMER INFORMATION CENTER (FCIC)**

[www.pueblo.gsa.gov](http://www.pueblo.gsa.gov)

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.

### **USA.GOV: THE FEDERAL GOVERNMENT'S WEB PORTAL**

[www.usa.gov](http://www.usa.gov)

FirstGov.gov is the official gateway to all government information.

### **CONSUMER.GOV: A RESOURCE FOR CONSUMER INFORMATION FROM THE FEDERAL GOVERNMENT**

[www.consumer.gov](http://www.consumer.gov)

### **DEPARTMENT OF EDUCATION**

[www.ed.gov/students](http://www.ed.gov/students)

The Department of Education provides Information relating to college, financing, and student aid.

*For other education-related resources:*

- Complete the FAFSA online at [www.fafsa.ed.gov](http://www.fafsa.ed.gov).
- Find out more about scholarships at [www.ftc.gov/bcp/menus/consumer/education/scholarships.shtm](http://www.ftc.gov/bcp/menus/consumer/education/scholarships.shtm).
- For more information on Federal Loan Programs, [studentaid.ed.gov](http://studentaid.ed.gov).

### **FEDERAL TRADE COMMISSION**

[www.ftc.gov](http://www.ftc.gov)

877-FTC-HELP (382-4357)

The Federal Trade Commission website offers practical information on a variety of consumer topics, including credit and identity theft.

### **DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)**

[www.hud.gov](http://www.hud.gov)

800-669-9777

The HUD website offers educational resources on buying and renting homes.

**INTERNAL REVENUE SERVICE**

*www.irs.gov*

You can get copies of IRS publications and forms at this website or by calling 800-829-3676. Call 800-829-1040 for questions about your income taxes.

**SECURITIES AND EXCHANGE COMMISSION (SEC)**

*www.sec.gov*

800-SEC-0330

The SEC provides information about investing.

**SOCIAL SECURITY ADMINISTRATION**

*www.ssa.gov*

800-772-1213

You can find out about Social Security benefits at this site.

**GO DIRECT**

*www.GoDirect.org*

(800) 333-1795

To quickly and easily sign up for direct deposit of your Social Security or other federal benefit payments, contact Go Direct, a campaign sponsored by the U.S. Department of the Treasury and the Federal Reserve Banks.

**NATIONAL ASSOCIATION OF SECURITIES DEALERS**

*www.nasd.com*

1-800-289-9999

The National Association of Securities Dealers provides information about registered securities brokers to help you decide whether to do business with them.

**THE CENTER FOR SOCIAL DEVELOPMENT (CSD), GEORGE WARREN BROWN SCHOOL OF SOCIAL WORK, WASHINGTON UNIVERSITY, ST. LOUIS, MO.**

*gwbweb.wustl.edu/csd/asset/idas.htm*

The CSD Website includes useful information on Individual Development Accounts (IDAs).