



# Bank On It ~ The Basics Participant's Guide



## About Bank On

Bank On Hampton Roads is truly a unique experience. Like a wellness plan for your finances, Bank On Hampton Roads offers all the education, support and encouragement you need to launch your financial plans. In this five month program, participants are encouraged to take the financial challenge to:

- Increase Income
- Grow Savings
- Reduce Debt
- Build Credit Score
- Protect Assets

The way Bank On works is you attend one class per month and meet with a personal financial coach once per month. In class you will learn some of the strategies for overcoming paycheck to paycheck living and speedy ways to reduce debt and see your savings grow. As you meet with your financial coach, you will build a financial plan centered on your goals and your dreams. With the combination of knowledge and improved financial management techniques, you can see your dreams become reality!

Bank On is one of over 70 programs across the United States organized to improve your financial opportunities by building relationships with trusted financial partners and empowering you to take greater financial control.

Classes begin in February and September, and the program is absolutely free to the participant.

Many of Bank On Hampton Roads resources are available online at [www.bankonhr.org](http://www.bankonhr.org).

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# Table of Contents

- Pre-Test
- The Four Money Cycles
- How Banking Works
- Banking Benefits
- Your Rights and Responsibilities
- Financial Institutions vs. Check-Cashing Services
- Financial Institution Comparison
- Accounts and Services Offered
- ATM, Debit and Credit Cards
- Depositing & Withdrawing Money
- Electronic Banking and Safety
- Fee Schedules & Terms
- Account Shortages
- Avoiding Fees
- Transaction Registers
- Activity: Making Deposits and Withdrawals
- Review Monthly Statements
- Reconciling vs. Balancing Your Account
- Check Information
- Temporary Holds
- Privacy Laws and Regulations
- Post-Test

# Welcome

Welcome to the *Bank On It ~ The Basics* module! By taking this training, you are taking an important first step to building a better financial future for you and your family. It all starts with understanding the basics of personal finances.

## ❑ Objectives

After completing this module, you will be able to:

- Identify the major types of insured financial institutions
- Identify reasons to use a bank or credit union
- Describe the steps involved in maintaining an account
- Identify additional services that come with deposit accounts
- Avoid unnecessary fees

## ❑ Participant Materials

This *Bank On It ~ The Basics* Participant Guide contains:

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

# Pre-Test

Test your knowledge about financial services

1. **Which of the following are insured financial institutions? Select all that apply.**
  - a. Check cashing service
  - b. Banks
  - c. Credit unions
  - d. Pawn shop
2. **A “second chance” checking program is an account that:**
  - a. Provides extra funds if you run out of money
  - b. You can get if you are unhappy with your existing checking account
  - c. Comes with an interest-free credit card
  - d. You can open if you cannot open a regular checking account because of past negative financial events
3. **Which of the following do you do when you reconcile your checking account? Select all that apply.**
  - a. Keep it up to date
  - b. Account for any differences between your statement and your check register
  - c. Compare your checking and savings account balances
  - d. Determine which checks have cleared
4. **When you take more money out of your account than you have in it, that is called:**
  - a. A debit transaction
  - b. Balancing your account
  - c. An overdraft
  - d. A monthly service fee
5. **Direct deposit is a way to keep your money safe because:**
  - a. You have the check sent directly to a check-cashing location
  - b. You cannot withdraw it once you deposit the check
  - c. It waives the fee at a check-cashing store
  - d. Your check goes directly to your bank account and there is no risk of misplacing it

# The Four Money Cycles

We learn most of our money habits when we are young. How well prepared we are to handle money is often revealed by our spending cycle. There are four basic money cycles, and we all fall into one of them. Regardless of where you are now, the goal of Bank On Hampton Roads is to help you move to Cycle Four, because that's where financial freedom is achieved.

## ☐ **Cycle One: Earn-Spend-Borrow-Spend**

When we're stuck in this cycle, it's often because of unexpected expenses or trouble separating wants and needs. We often borrow money or rely on credit cards to get it. The cycle repeats and debt increases.

## ☐ **Cycle Two: Earn-Spend-Earn-Spend**

People caught in this cycle live paycheck-to-paycheck. Everything that comes in goes out to pay bills and buy the things we need.

## ☐ **Cycle Three: Earn-Spend-Save**

This group truly wants to save money, but they put saving low on their list of priorities and buy all their wants first. As a result, there's rarely any money left to actually put into savings.

## ☐ **Cycle Four: Earn-Save-Spend**

When we get to this cycle, we understand the vital rule of financial freedom: **Pay Yourself First**. That requires setting aside funds for long-term financial security from every paycheck to "pay yourself" in the future. Saving is a priority because you understand its role in meeting long-term goals and creating financial stability.

Remember, financial freedom is a journey. Like any lifestyle change, you will have setbacks. Even people with "good" financial habits often flip flop between cycles three and four. The important thing is not to give up. The end result of all your hard work is well worth the effort.

# How Does Banking Work?

Let's talk a minute about how banking actually works.

## ☐ Your Money

When your money is deposited in a bank or credit union, the financial institution doesn't simply lock it away. It uses your money to make loans to other people. In return, they pay you *interest* (rental fee to use your money) for the use of your cash.

## ☐ Financial Institutions

In order for the financial institution to have enough money to pay you interest, it must earn income. It does this by charging people interest on their loans.



# Banking Benefits

Banks and credit unions are businesses that offer you a safe place to keep your money and use your deposits to make loans. Banks and credit unions are also called *financial institutions*, since they offer many financial services.

## □ Reasons to Keep Money in a Bank or Credit Union

○ **Safety.** Your money is safe from theft, loss, and fire.

○ **Convenience.** You can get money quickly and easily.

» Using direct deposit, for example, allows you quicker access to your money because funds that are electronically deposited are available sooner than if you deposited a check. We will talk more about direct deposit later.

» You can also use Automated Teller Machines (ATMs) to get fast access to your money. Most ATMs are available 24 hours a day, 7 days a week. Additionally, if you have a checking account, you can use your debit card to make purchases instead of cash.

» **Electronic Banking.** You can use your phone or computer to complete your transactions. You do not need to go to the bank to pay your bills or transfer money.

○ **Cost.** Using a bank or credit union is always cheaper than using other businesses to cash your check.

○ **Security.** The Federal Government insures deposits up to the maximum amount allowed by law, which is currently \$250,000 per account. This means that the government will return the money to you if a bank or credit union closes.

○ **Financial future.** Building a relationship with a financial institution establishes a record of paying bills, can help you save money, and can help with obtaining a loan. Studies show that people with bank accounts are more likely to accumulate wealth and have access to more loan products.

# Your Rights & Responsibilities

You have both rights and responsibilities when you open a account.

## **Your Rights:**

- You have the right to have certain disclosures such as fees schedules and privacy notices.
- You have the right to have your account protected with federal insurance. This insurance provides you peace of mind knowing that if the bank should fail, that your money is safe and accessible.
- You have protections if someone accesses your account fraudulently.
- You are protected by the law and all financial institutions must follow state and federal laws.

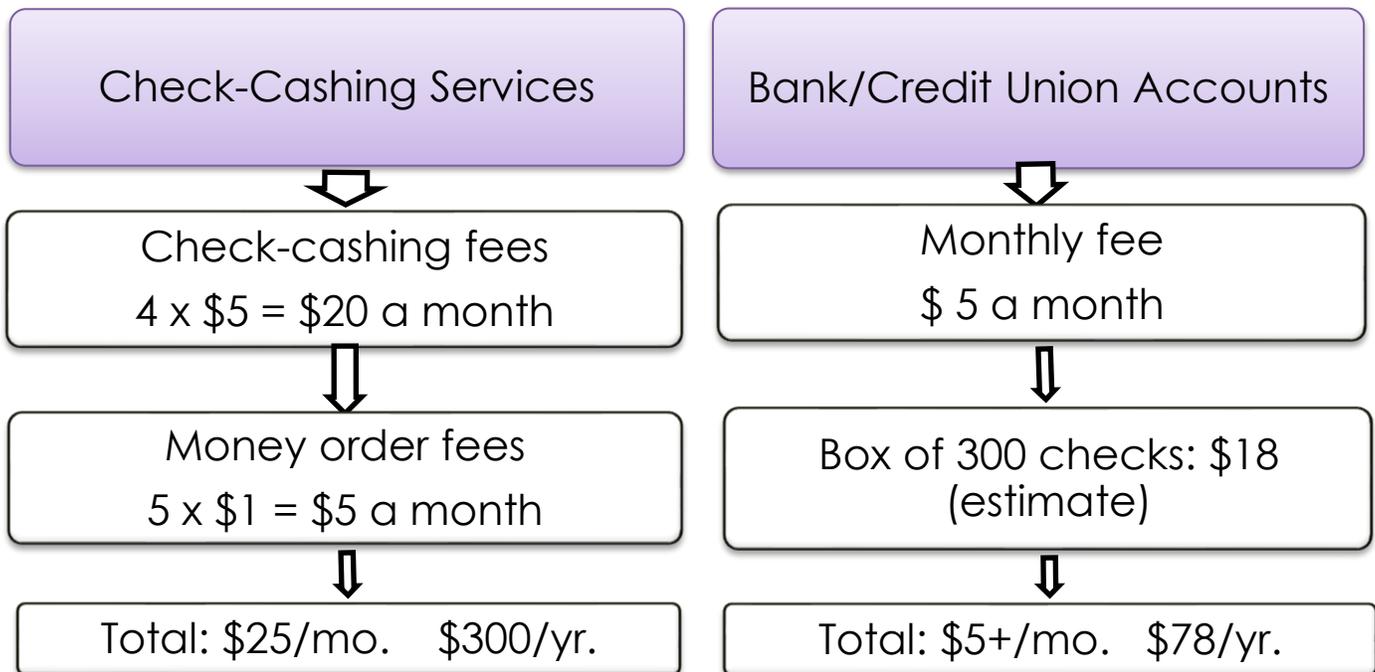
## **Your Responsibilities:**

- What must you do to maintain a beneficial banking relationship?
  - Manage your accounts properly and avoid overdrawing your account--that is, trying to spend more money than you have in your account(s)
  - Make all loan payments on time, every time.
  - Use credit responsibly.

# Financial Institutions vs. Check-Cashing Services

Even though financial institutions may charge monthly fees, it is much cheaper to use a deposit account at a bank than a check-cashing service. Additional benefits when comparing banks to check-cashing services are:

- Financial institutions provide the convenience of Internet banking with access to your accounts and information 24 hours, 7 days a week
- Using a bank account responsibly can help you establish a positive banking relationship, which may be helpful if you apply for a loan
- You do not have to worry about cash being lost or stolen
- You can easily save money for the future



**SAVINGS WITH FINANCIAL INSTITUTION: ~\$222/yr.**

# Financial Institution Comparison

## Types of financial institutions include:

### ☐ Banks

Banks make loans, pay checks, accept deposits, and provide other financial services.

### ☐ Credit Unions

Credit unions are similar to banks except they are not-for-profit financial institutions that are owned by the account holders, called members.

Opening a credit union account is like buying stock in a company where you become an owner of the credit union.

Not everyone can open an account at every credit union, though, because they have to qualify based on the credit union's "field of membership."

## Financial Institution Insurance

Insured banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC). This means that if the bank were to fail, the FDIC would return your money, up to the insured amount which is currently \$250,000. You can tell if the FDIC insures a bank by the displayed FDIC logo.

Insured Credit unions are guaranteed by the National Credit Union Administration (NCUA). The deposit insurance rules are the same at NCUA-insured credit unions as they are at FDIC-insured banks, and insured credit unions will display the NCUA logo.

	Credit Union	Bank
Make loans	✓	✓
Pay checks	✓	✓
Accept deposits	✓	✓
Other financial services	✓	✓
Insured	✓	✓
Open to anyone	✓	✓
Membership may be limited	✓	
Not-for-profit	✓	

## Types of Checking Accounts

Not every financial institution offers each of these, but this will give you some idea of what's commonly available.

### **Free/Low-Cost Checking**

The charge for a low-cost checking account is often no more than \$5 per month. However, this fee may be waived if you use direct deposit or use your ATM or debit card a minimum number of times a month.

### **Electronic-Only/ATM Checking**

This account usually requires you to use direct deposit and your ATM or debit card. This account might be right for you if you handle most of your banking transactions online or via an ATM, rather than going in to a branch. Remember to verify the fees! You may be charged a monthly service charge for not meeting a minimum number of online or electronic transactions, writing checks, or using in-person teller services.

### **Regular Checking**

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

### **Interest-Bearing Checking**

With these accounts, you usually have to maintain a high minimum balance—generally at least \$1,000—in order to earn interest and avoid fees.

### **Second Chance Accounts**

With these accounts you may get another chance to maintain a checking account with a traditional financial institution. The accounts don't have all the services that come with regular checking accounts, but they can help people rebuild their banking histories.

## Determining Your Account Needs

You may be able to avoid some fees by shopping for an account that meets your needs. Not all accounts are the same. Here are some questions to consider.

Convenience	
How many checks do you think you will write per month?	
Will you use the ATM or teller services often? Does the bank or credit union have ATMs or locations close to where you live or work?	
What are the financial institution's hours of operation?	
Do you plan to do most of your banking online or with a debit card?	
What other services are important to you?	
What online services are offered?	
Can you link your savings account to your checking account to cover overdrafts?	
Cost	
How much money will you keep in your account?	
Will you be charged for writing checks?	
Will you be charged for online banking/bill pay?	
Are you willing to pay a monthly fee? If so, how much?	
Is there a charge to use your bank or credit union's ATM? Other ATMs?	
Will you be charged for using teller services or contacting customer service?	
Are there ways to avoid paying fees?	

## Common Services

- ❑ **Direct deposit.** With direct deposit, your paycheck or benefit check is electronically transferred and directly deposited into your account. The amount of money is immediately available. Some banks will waive monthly fees if direct deposit is used.
- ❑ **Loan.** You are charged interest on loans. *Interest* is the money you pay to borrow money (rent someone else's money), and it is added to the total amount you must pay back.
- ❑ **Wire transfer.** A wire transfer is a transfer from one financial institution to another. Most U.S. financial institutions can send money to international financial institution. If not, it can be sent as a **Remittance**.
- ❑ **ATM (Automated Teller Machine).** A fee may be involved for some ATM services. Sometimes a financial institution may offer an ATM card that can be used to access funds without having the payment features of a debit card. See more on page 15.
- ❑ **Money order.** A money order is similar to a check. It is used to pay bills or make purchases when cash is not accepted. Many businesses sell money orders for a fee. With a checking account, you can often avoid money orders. If a money order is necessary, your bank or credit union will often charge you much less than most other businesses.
- ❑ **Stored value card.** Stored value, or pre-paid, cards come in several varieties that enable you to pay for goods or services. Some cards may be purchased with a value of \$0 and you can add a desired amount. Others may be purchased with a set value (e.g., \$25 or \$50). Generally, you can reload money to, and increase the value of, the card so you can continue to make purchases.
- ❑ **Debit card.** A debit card is a plastic card sometimes called a *check card*. The debit card usually has a MasterCard or Visa logo and a magnetic strip on the back. It is tied to your checking account and allows you to pay for goods and services at stores and other businesses.
- ❑ **Credit card.** Is an open ended loan product in which you have a card to make purchases or payments. This loan incurs interest and must be repaid. See more on page 16.
- ❑ **Phone and Online Banking.** These allow you to check your account online or via telephone. You may also be able to pay bills and transfer funds between accounts, stop payment on a check, obtain information on branch hours or other information, report a lost, stolen, or damaged card, etc.

## ATM and Debit Cards

An **ATM Card** is a card that can only be used at an ATM and cannot be used to make purchases. You can deposit and withdraw money, check balances and transfer between accounts.

A **Debit Card** is similar to an ATM card. The difference is that you can use a debit card to make purchases at retail locations or online.

**Debit cards** generally feature a Visa or MasterCard logo so you can make "debit" or "credit" purchases where these cards are accepted. When you make a "debit" purchase, you must enter your Personal Identification Number (PIN). Whereas with a "credit" purchase, you may only have to sign the merchant receipt. Just because the merchant runs your debit card as credit purchase, the money still comes out of your checking account. It is not a credit card! Take a look at the chart on page 15 for a comparison of debit and credit cards.

### ➤ **A Note About PINs**

**Remember, never tell anyone your PIN or write it down where you keep your debit card.** Also, make sure no one is trying to watch what numbers you input. Your PIN would be valuable if a thief were to steal your card.

*If someone uses your card without your permission, federal law protects you. With a debit card, the disputed transaction will have already been withdrawn from your account. Typically speaking, if you report the problem promptly, the financial institution will put the money back into your account (less \$50) if it is unable to resolve the matter within 10 business days. You must report errors within 2 business days of discovering them to be fully protected under federal law. Some banks and credit unions may voluntarily waive all of your liability for unauthorized transactions if you took reasonable care to avoid fraud or theft. Be sure to find out your financial institution's policies.*

*If you give your PIN to someone else and they use your debit card without your permission, you are responsible for the loss.*

### **Fees:**

There may be fees associated with using an ATM that is not a part of your financial institution's network.

## Debit Cards vs. Credit Cards

	Debit Cards	Credit Cards
Payments	Buy now, pay now.	Buy now, pay later.
Interest Charges	No charges apply as funds are automatically debited from your checking account.	Charges will apply if you carry a balance or your card offers no grace period (time to repay without incurring interest charges).
Fees	<ul style="list-style-type: none"> <li>Fees on certain transactions (e.g., an ATM fee charged for withdrawing funds from an ATM not operated by the financial institution that issued your card).</li> <li>Potentially costly fees if you try to spend more money than you have available in your account.</li> </ul>	<ul style="list-style-type: none"> <li>Fees and penalties can be imposed if payments are not timely.</li> <li>Some cards also have annual fees.</li> <li>Not all cards offer grace periods (time to repay without incurring interest charges).</li> </ul>
Other Potential Benefits	<ul style="list-style-type: none"> <li>Easier and faster than writing a check.</li> <li>No risk of losing cash that you cannot replace.</li> <li>Some cards may offer freebies or rebates.</li> <li>As long as you do not overdraw your account, debit cards are a good way to pay for purchases without borrowing money and paying interest.</li> </ul>	<ul style="list-style-type: none"> <li>Freebies sometimes offered (e.g., cash rebates, bonus points, or travel deals).</li> <li>You can withhold payment on charges in dispute.</li> <li>Purchase protections offered by some cards for faulty goods.</li> <li>If you are careful about how you manage your credit card, especially by paying your bill on time, your credit score may go up and you may qualify for lower interest rates on loans.</li> </ul>
Other Potential Concerns	<ul style="list-style-type: none"> <li>Usually there are no protections against faulty goods and services.</li> <li>You need another way to pay for unexpected emergencies (e.g., a car repair) if you do not have enough money in your bank accounts.</li> </ul>	<ul style="list-style-type: none"> <li>Over-spending can occur, since the credit limit may be higher than you can afford.</li> <li>If you do not pay your card balance in full each month, or your card does not have an interest-free grace period, you will pay interest. This can be costly, especially if you only pay at or near the minimum amount due each month.</li> </ul>

## Depositing Money

Deposit slips are included in your checkbook, and have your account number printed on them. Some financial institutions require a deposit slip with your deposit. See your financial institution for more information on deposit slips.

**CAUTION:** Do NOT throw away unused deposit slips. Treat deposit slips like all personal documents. Thieves can use a stolen deposit slip to "deposit" a bad check into your account and select the "less cash" amount to get cash back. Shred or void your unused deposit slips as soon as you finish a book of checks.

### **Check Deposit**

The back of the check has what is called an *endorsement area*. *Endorsing* a check means to sign the back of it so you can deposit or cash the check.

If depositing the check, you should write "For Deposit Only" and sign your name in the endorsement area. "For Deposit Only" prevents others from cashing your check if it is lost or stolen. When you receive a check as payment and want to cash it, you would only sign your name in the endorsement section.

When you deposit your check(s) you can also receive cash back. *Net deposit* is the amount that will go into your account after you subtract any cash that you are receiving.

*Note: When depositing checks, these funds may not be immediately available to you. There may be a hold placed on that deposit until the check clears, known as a "check hold". The receipt from the deposit should reflect the date these funds will become available to you.*

### **Deposits by Mail**

You may also be able to make deposits by mailing your checks and deposit slip to your bank. You should never send cash through the mail.

### **Direct Deposit**

*Direct deposit* occurs when your employer or a government agency electronically deposits your paycheck or benefits into your checking account. Not all employers offer direct deposit; ask your employer what options are available to you.

- Mobile Deposit:** Phones and other electronic devices can be used to take a photo of a check for deposit. Follow the same guidelines for "Check Deposit" above. See great tips for keeping your information safe when using mobile devices under the Electronic Banking section of this lesson.

## Depositing Money (Cont'd)

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

With some ATMs you can deposit checks and cash directly into the ATM. Other ATMs require you to put your deposit into a deposit envelope provided in a tray or box near the ATM.

Be sure to fill in the information listed on the envelope if your bank or credit union requests it. This information may include your name, phone number, account number, and deposit amount. Include a deposit slip in the envelope, and insert the envelope into the ATM when it prompts you to do so.

## Withdrawing Money

### ❑ **Writing a Check for Cash**

If you want to use a check to take cash out of your account:

- ✓ Write "Cash" or your name in the "Pay to the Order of" area on your check.
- ✓ Do not write a check for "Cash" until you are standing at the teller line.
- ✓ Like writing any other check, remember to record the withdrawal in your check register.

### ❑ **Withdraw money using an ATM**

1. You can withdraw money from your account using your PIN from an ATM. ATMs will generally disburse funds in multiples of \$10 and \$20.
2. **DO NOT FORGET** to take your ATM card and save your receipt to accurately record your transaction.

### ❑ **Withdraw money using debit card at point of sale**

Using your PIN to complete a debit card transaction may enable you to request "cash back" from a purchase at a retailer. This allows you to complete payment for your goods and have additional cash from your account at the same time.

### ❑ **Use the Teller Service and a Withdrawal Slip**

Your bank or credit union may only require you to sign a receipt the teller prints when completing a withdrawal. If a withdrawal slip is required, contact your financial institution for instructions on completing this.

## Electronic Banking

In addition to debit cards, there are other electronic banking services. Electronic banking uses computers to move money to and from your bank account instead of checks and other paper transactions.

### Vendor

- Automatic deduction: Vendor >>> Bank >>> Vendor - You provide information to vendor to automatically pay from checking account**
  - If you provide your account number to your service provider (electric, water, cable/satellite companies, etc.), that company can withdraw money from your account automatically to pay for your recurring bill.
    - **Benefit:** If you use automatic deduction, you do not have to pay for postage or worry about late payments.
    - **Caution:** Since the vendor has your account information, you need know *exactly* when the money will be automatically pulled from your account to ensure that you have the money available. For example, if your payment is normally taken on the 15<sup>th</sup> of the month, but the 15<sup>th</sup> falls on a Sunday, will your payment still be taken on Sunday, the Friday before or the Monday after? Will you have enough money in the account if the payment date changes due to a weekend or holiday?
      - **Prevention:** Read the fine print of the agreement and ask your vendor for clarification.
- Website payment: Web >>> Bank >>> Vendor - Participant enters information into a website to pay vendor from participant's checking account...**
  - You may prefer to create an online account with your service provider so that you can pay your bills directly through the website.
    - **Benefit:** You don't need to worry about a delay between your financial institution and your vendor since the payment goes directly to the vendor.
    - **Caution:** Some companies may charge you a processing fee if you use their site to make the payment.
      - **Prevention:** Be sure to ask about *any* costs associated with paying through the vendor website.

**Financial Institution** With online (or home) banking, you can transfer money online through "linked" accounts, view account history, make loan payments and more.

- Bill Payment: Bank >>> Vendor - Participant enters information on the bank's website to pay vendor from participant's checking account...**
  - This can be established to **automatically** transfer money electronically from your account to pay your bills on the designated payment dates. However, you also may use this to **manually** schedule payments each time they are due, giving you more control over each payment.

# Electronic Banking *cont'd*

- Be sure to check with your financial institution because bill payment services may not be free with all accounts.
  - **Benefits:** If you use bill payment, you do not have to pay for postage.
  - **Caution 1:** You must have enough money in your account to cover your bills when they are due. Otherwise, you could risk overdrawing your account or having your transaction declined when the bill payment request is processed. In this case, you may be responsible for late payments and fees if the bill is not paid automatically as anticipated.
    - **Prevention 1:** Keep track of your account balance AND the total amount due for each bill. For example, your utilities bill may be higher than anticipated in the summer or winter when your air conditioning unit is being used more frequently. Therefore, check your bills regularly to ensure they are accurate and the payments are made.
  - **Caution 2:** When scheduling your payment date, you may need to plan for the extra time needed between when the financial institution sends the payment and when your vendor actually receives it to ensure you don't have late payments caused by this delay. For example, if the merchant or recipient of the funds does not accept electronic payments, a check may be cut and mailed to the vendor. This may delay delivery of payment.
    - **Prevention 2:** Ask your financial institution how much of a delay to plan for when scheduling your payments. Sometimes the bill payment program itself will tell you the date on which the vendor will actually receive the payment.

## ☐ Transfers

- Electronic transfers allow you to move money from one account to another; however, they can take 1-5 days to process. The most common examples of this include:
  - A **wire transfer** can be processed same day (usually within a few hours). However, there is usually a cost for the wire transfer, and you will have to sign authorization documents in person to move that money.
  - **ACH (Automated Clearing House)** can be completed through most online banking portals with "linked" accounts that have been preauthorized and usually has a very small fee or no fee associated with the movement of the money (e.g., Pop Money).

## Electronic Banking (Cont'd)

### ❑ Cell Phone (Mobile) Banking

- Smart phones can be used to access accounts using a mobile app. Your financial institution, may offer access to "remote deposit capture" (RDC), which allows you to deposit a check into your account from anywhere. Other mobile app services may allow you to:

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

See your financial institution for more details about the products and services you could be using.

When using electronic forms of payment there could be costs from your mobile carrier or vendor.

## Electronic Banking Safety

Electronic banking, while convenient, can be a double edged sword. Online banking has lulled many into cheating on record-keeping. Instead of balancing our checkbooks, we simply rely on what the screen says we have in our account. The problem with that, though, is what's on the screen does not factor in what's *pending* to clear. In other words, you may have made a purchase yesterday, but the money hasn't come out of the account yet. If you only rely on what the screen says you have, you may very well overdraw your account and incur fees.

Safe electronic banking involves making wise choices that will help you avoid costly surprises, scams, or identity theft. Some precautions you can take include:

- ✓ Using a secure and encrypted connection to the Internet (https)
- ✓ Disregarding fraudulent emails asking you to send your account number, password, or any personal information via email; legitimate financial institutions do not ask for this information via email
- ✓ Monitoring your account activity closely
- ✓ Keeping your information private
- ✓ Using anti-virus software, keeping it updated to detect and block spyware and other malicious attacks, and using a "firewall" to stop hackers from accessing your computer

## Fee Schedules / Terms

- ❑ **ATM-Use Fee:** A fee usually charged for using the ATM of another financial institution. If you use another financial institution's ATM, that financial institution may charge an additional fee.
- ❑ **Check Printing Fee:** A charge may be automatically deducted from your checking account for printing checks you purchase from the financial institution. You can also buy checks from other companies, choosing from many different designs.
- ❑ **Monthly Service Fee:** This is also called a maintenance fee. You might be charged this monthly fee for having the account.
- ❑ **Non-Sufficient Funds Fee:** Also called NSF fees. This fee occurs when you do not have enough money in your account, so the transaction is declined. You may potentially be charged NSF fees by both your financial institution and the vendor you intended to pay.
- ❑ **Overdraft Fee:** These fees are charged when you do not have enough money in your account to cover your transactions (e.g., withdrawal, purchase, or payment). The financial institution still allows the transaction to be completed.
- ❑ **Per-Check Fee:** This is a fee for each check you write. Depending on the account, you might pay the fee for each check or only when you write more than a certain number of checks (perhaps ten) a month.
- ❑ **Phone Inquiry Fee:** Some places charge this fee if you call to check your balance or determine whether a check or deposit has cleared.
- ❑ **Returned Deposit Item:** You might be charged this fee if you cash or deposit someone else's bad check.
- ❑ **Stop-Payment Fee:** This fee is charged if you ask the financial institution to stop the check from being paid. Note that the bank or credit union might not be able to catch the check before it is paid.
- ❑ **Teller Fee:** Some banks may charge a fee if you use a teller to make deposits or withdrawals more than a set number of times each month. Banks that charge this fee do so to encourage you to use an ATM for your basic banking transactions.

# Account Shortages

## What if you don't have enough money in your checking account?

As a checking account holder, you assume the responsibility for tracking your money and have the right to control how certain transactions are paid or not paid through your account. An example of this is whether or not your transaction will clear your account if there is not enough money in your checking account to cover the transaction. There are multiple layers of protection available to help you handle this situation.

When you open an account, you *may* be able to choose from the following options:

- Overdraft protection
- Overdraft from a line of credit loan
- Courtesy pay
- Declined transaction

### Overdraft Protection

**Overdraft protection** is when you use your savings to cover insufficient funds. This occurs when you try to withdraw more money from your checking account than you actually have available to spend. When used, funds are transferred from your savings account to cover the deficiency and allow your transaction to clear. This, in turn, saves you from unnecessary fees and embarrassment. While this is convenient in that your transaction is not declined and your payment is still made, you should be aware that this depletes your savings account. If you are trying to build your savings, this could be counterproductive.

### Overdraft from a Line of Credit Loan

In addition to overdraft protection, you may also apply for an **overdraft line of credit**, which is a personal loan tied to your checking account and covers you when funds run short. It protects you from bounced checks, fees, and embarrassment. This type of loan is a revolving, open-ended loan (similar to a credit card) in that you can charge to the line of credit limit and pay it off repeatedly without having to request a new loan for each occurrence. The payment is based on the balance of the loan, and you only have to pay if you use it.

Overdraft options may help you in those rare occasions which you exceed your balance. However, if you have to use them frequently, you may need to look at your spending plan to determine if there is a root problem to be addressed.

[Note: Overdraft protection and an overdraft line of credit are not automatically available. They vary by financial institution, and you must elect/apply for these options.]

Depending on the financial institution, **overdraft fees** may apply with overdraft protection or an overdraft line of credit.

## Account Shortages (Cont'd)

### Courtesy Pay

**Courtesy pay** is a service offered by some financial institutions that can *potentially* allow your transaction to clear and your account to go negative. In this case, your payment was made; however, you are charged a fee. This service is not automatically available; you have to “opt-in” to this service. Even then, it is at the financial institution’s discretion as to whether it will allow specific transactions to clear by letting the account go negative. By “opting-in,” you simply allow your financial institution the option to let your account go negative to pay for a transaction.

Whether or not you choose to opt-in, you can change your mind later. Just ask your financial institution to switch your option. A couple of key questions to ask your financial institution when making this decision are:

- How much are the fees for “opting-in” versus not?
- How many times am I able to go negative?

### Declined Transaction

If you do not have an overdraft option or a courtesy pay service, the financial institution will decline your transaction (or return a check, when applicable) to a merchant (e.g., phone company). The financial institution and the merchant may each charge you a *non-sufficient funds (NSF)* or *returned item fee*, which could range from \$15–50, or more.

### **Overdraft and NSF Fees**

Overdraft and NSF fees are technically two different types of fees, however these terms are often used interchangeably. Both are applied when you do not have enough money in your checking account.

Overdraft fees are charged when your financial institution clears your transaction despite the lack of money in your checking account.

NSF fees are charged when your financial institution declines your transaction due to the lack of sufficient funds in your checking account.

A fee will decrease your account balance and you run the risk of potentially having other transactions declined and other fees assessed—which can become very expensive! To prevent this domino effect, balance your checking account and pay attention to what you spend.

## Account Shortages (Cont'd)

### Prevention

Throughout the Bank On Hampton Roads classes, you will learn ways to help you keep track of your spending. For example, one of your homework assignments is to mark your monthly bills on a calendar so that you know exactly when they are due. This can help you remember what money leaves your account every month. Another way to set apart your monthly, recurring bills would be to highlight those transactions in your register.

**Be aware that not all transactions clear immediately, and they sometimes do not clear in the order in which you made your purchases. This makes it essential for you to track your spending yourself instead of relying on what you can see that cleared your account.**

### Consequences:

Because you have both rights and responsibilities in managing your account you may have consequences if you are not living up to your responsibilities. For instance, if you knowingly write a check without enough money in your account, it is known as writing a bad check or "bouncing" a check; this is a crime. Each state has different civil and criminal penalties (e.g., fines and jail time). For this reason, if you ever do mistakenly write a bad check, you should correct it as soon as possible.

If you consistently write bad checks, your account may be closed. If your account remains negative for a period of time, the financial institutions may also report this to the credit reporting agencies as well as other data collection centers. This can negatively impact your credit score and your ability to transact business with other providers.

## Actions to Avoid Fees

- ❑ Keep track of your balance. Your responsibilities include:
  - ✓ You are responsible for knowing how much is in your account at any time. Successful money management depends on good record keeping. You can do this by maintaining a record of all transactions and tracking your balance.
  - ✓ Don't rely on financial institution balances because they do not know what outstanding transactions have not cleared. Examples include electronic payments, checks and point of sale/online transactions that have not been submitted to your financial institution for processing.

To keep an accurate record of your checking account activity, you should:

1. Record all transactions in your transaction register or budgeting software (including maintenance fees, interest and other charges).
  - i. Even if you regularly monitor your transactions and account balance online, you should record all transactions (i.e., electronic banking, cash transactions, writing a check) in your register or enter them into a budgeting software program.
  - ii. With an interest-bearing account, review your monthly account statement to determine how much interest you received. Record this interest as a deposit (+) in your register or budgeting software. Your monthly account statement will also indicate if you are charged any fees. You would record any fees as a payment or debit (-).
2. Review monthly checking account statements.
3. Reconcile your register with monthly checking account statements.

**Remember:** You are the only one who can know what has been authorized to be paid from your account. With so many ways for money to leave your account, it is vital that you maintain a good record of your transactions.

## Actions to Avoid Fees (Cont'd)

### Receipts

You should get a receipt when you use a debit card to buy goods or perform electronic banking transactions. If the merchant cannot give you a receipt, or if you forget to get a receipt, promptly record the amount so you can track the expense later. Remember that all purchases, even small ones, add up. You can avoid costly overdraft fees by recording transactions and monitoring your current account balance regularly.

### Know automatic payment dates.

- ✓ It is convenient to set up automatic payments to minimize the administrative time of bill paying, but you need to plan for when those payments will hit your account each month.
  - ✓ If the date falls on a holiday, will the vendor attempt to take their payment early?
  - ✓ If your paycheck date varies, will it be received in time to make your payment?

### Set low balance reminders.

- ✓ Technology has made our lives much easier in some ways. Most financial institutions offer alerts that can be set up online to notify you of low balances by sending you a text or email when your account drops below your low balance amount. You define what "low balance" triggers the alert.

### Communicate with Joint Account Owner.

- ✓ When multiple people are accessing account funds, it is vital that you have a way to communicate when funds are used. Develop a system to indicate funds used and make sure they get documented in your transaction register.

# Transaction Registers

You use a transaction register to keep track of the money you put into and take out of your checking account.

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

- ✓ **Check Number:** Record the check number of any checks used (if applicable) in this column.
- ✓ **Date:** Record the date of each transaction (e.g., withdrawal, deposit, purchase, interest you received, or fee charged to your account).
- ✓ **Description of Transaction:** Record a description (e.g., whom you wrote a check to, whether you made an ATM deposit or withdrawal, or where you used your ATM or debit card) of each transaction.
- ✓ **Payment/Debit (-):** Record the dollar amount of any payments, debits, or withdrawals.
- ✓ **Deposit/Credit (+):** Record the dollar amount of any deposits or credits made to your account.
- ✓ **Balance:** Add any deposits or credits and subtract any payments or debits to get the new balance after each transaction.

# Activity 1: Recording Deposits and Withdrawals

The purpose of this exercise is to practice making deposits to and withdrawals from your account and keeping track of the balance. Read the scenario carefully. Complete the table and determine the new balance. Be prepared to explain your answers.

### Scenario

Carl opened an account and deposited \$500 in cash. The next day, he wrote a check for \$70 to pay his electric bill. At the end of the week, he received a paycheck for \$870 and deposited it into his account. What is the balance in Carl's account after he made the payment (or withdrawal) and deposit?

Description	(+) Deposit/Withdrawal (-)	Balance
Opening Balance		
Payment/Withdrawal		
Deposit		

# Review Monthly Statements

Most checking account statements show:

1. Your financial institution's name and address
2. The time period covered by the statement
3. Your name and address
4. Your account number
5. A list of all transactions by date
6. A list of all cashed checks in numerical order by check number
7. Statement summary, including fees and charges (if any)

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

## Balancing/Reconciling

- ❑ **Balancing** your checkbook means keeping your transaction register up-to-date by recording all transactions and maintaining totals so you always know how much money is in your account.

When you get your monthly checking account statement, you may notice a difference between the statement balance and your transaction register. This may occur if:

- ✓ You did not record some of the transactions listed on the account statement.
- ✓ Some of your recorded transactions were posted after the statement was prepared and sent to you.

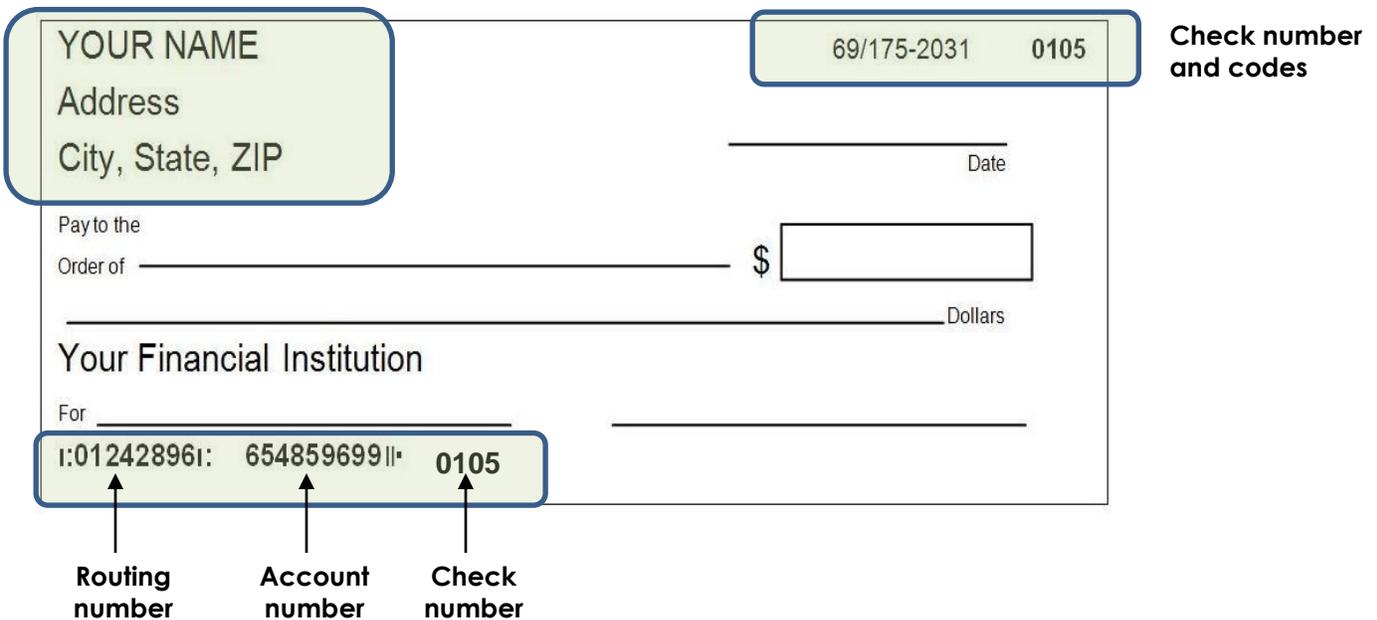
- ❑ **Reconciling** your checking account helps you find the reasons for the differences between your statement and register so you can make any necessary corrections.

If you find an error, contact your financial institution right away. If you call or visit in person, it is a good idea to follow up by writing a letter. Keep a copy of the letter for your records. The letter should include:

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

*The financial institution must receive notice of the error within a specific period of time after the date of the statement or you may not be able to get your money back. Contact your financial institution for more information.*

## Check Information



The diagram shows a check form with several fields highlighted in green boxes. A blue box highlights the top-left section containing 'YOUR NAME', 'Address', and 'City, State, ZIP'. Another blue box highlights the top-right section containing '69/175-2031' and '0105', with the label 'Check number and codes' to its right. A third blue box highlights the bottom-left section containing the MICR line '⑆01242896⑆ 654859699⑆ 0105', with arrows pointing to 'Routing number', 'Account number', and 'Check number' labels below it. Other fields include 'Date', 'Pay to the Order of', a dollar amount box, 'Dollars', 'Your Financial Institution', and 'For'.

When you receive your first box of checks, you can expect to find information already printed on the checks, including:

- ✓ **Your name and address.** Your phone number can be included at your request.
- ✓ **The check number and codes.** This number identifies each check you write.
- ✓ **Your financial institution's name.**
- ✓ **Routing numbers.** This is a computerized ID number for your financial institution, usually in the lower left-hand corner of the check. For electronic transactions (such as direct deposit, ACH to pay a bill, wires, transfers, etc.), additional identifying numbers may be required. Contact your financial institution for more information. Most financial institutions do publish their routing numbers on their website.
- ✓ **Your account number.** This computerized number follows the routing number and identifies your account.
- ✓ Do NOT have your Social Security or driver's license number preprinted on your checks because of the risk of identity theft.

## Temporary Holds

When you swipe a card for a purchase where the exact amount is not known, a *temporary hold* is sometimes placed on funds in your account until the actual transaction posts to the account. During that time, you may not be able to access funds that have the temporary hold.

Temporary holds may make your funds unavailable for up to a week after you transact business with a merchant.

There are four key merchants that cause the most confusion:

### Restaurants

For example, imagine you're having dinner at a restaurant and you give the waiter your debit card to pay your bill. At this point, you have not left a tip; but when the restaurant runs your card and asks for authorization (checks to make sure the card is good and you have money), they typically add an estimated tip (usually 20%) to the base bill. If you don't have enough money to cover the bill and the estimated tip, it could decline your card.

After the authorization, the waiter presents you the slip for your signature. At this point, you can add a tip and total the bill. This total may be for more or less than the estimated amount for which the restaurant obtained authorization.

**Caution:** don't leave the copy of your receipt at the restaurant. Scammers could use this to take additional money out of your account.

### Gas Stations

When you use your debit card to buy gas at the pump and choose the credit option instead of using your PIN, the amount held is anywhere from \$1.00 to \$125.00. This can hurt you two ways:

✓ Let's say you only have \$5 in your account and the gas station only authorizes you for \$1. You then put \$50 in your tank, and how your account is negative.

✓ Or, perhaps you have \$20 in your account but the gas station held \$75, so your transaction got denied.

## More Temporary Holds

### ☐Hotels

When you check into a hotel, you have to present a debit or credit card so the clerk can request an authorization for an amount based on your expected length of stay. An additional amount may be added to the room rate to cover other guest services, such as movies or parking. You typically won't know the exact amount authorized/placed on hold. This happens even if you plan on paying the bill in cash because the hotel needs to make sure they have a way of getting paid if you skip out on the bill or cause excessive damages.

*Did you know...*

The first credit card came out in 1951  
and was issued by American Express.

[didyouknow.cd/fastfacts/money.htm](http://didyouknow.cd/fastfacts/money.htm)

### ☐Telephone Order and Online Retailers

When you buy something online or over the phone, you will be asked for payment information. This usually includes the debit card number, expiration date, and billing address. If you're online, you may see an "authorizing, please wait" message or, if on the phone, may be asked to hold for authorization.

The actual request for authorization from the financial institution is rarely made when you are still on the telephone or online. They are really only checking to see if it's a valid card, not that you have the money to cover your purchase. Most people believe their purchases are completed when they end the phone call or sign off the retailer's website, but those purchases can still be denied.

# Privacy Laws and Regulations

## Privacy Notices

*Privacy notices explain how:*

- ✓The company collects, handles, and shares your personal financial information
- ✓Your personal financial information is protected
- ✓You might limit the company from sharing your information with others

You received an initial privacy notice when you opened your account and a copy is available every year. Privacy notices are now available online at your financial institution.

Financial institutions may share your information with other companies to offer you other products and services. Federal privacy laws give you the right to stop or “opt out” of some sharing of your personal financial information.

## Opting Out

If you prefer to limit the promotions you receive, or if you do not want marketers and others to have your personal financial information, you must review the privacy notice to determine whether the company shares information with others.

Some sharing cannot be avoided:

- Financial institutions are required by law to report taxable income to the IRS and must comply with legal requirements whether federal or state.
- They will also share your payment information to credit bureaus. This information feeds into your credit report.

Credit bureaus may share your information with lenders and insurers who use the information to decide whether to send you unsolicited offers of credit or insurance. Visit [www.optoutprescreen.com](http://www.optoutprescreen.com) to remove your information from credit bureau distributions.

## Post-Test

**1. Which Money Cycle is the best for financial freedom?**

- a. Cycle One: Earn-Spend-Earn-Spend
- b. Cycle Two: Earn-Spend-Borrow-Spend
- c. Cycle Three: Earn-Spend-Save
- d. Cycle Four: Earn-Save-Spend

**2. If you deposit a check, you may not have immediate use of all of the funds. This is called a:**

- a. Minimum balance
- b. Check hold
- c. Privacy Notice
- d. Balance

**3. Your bank or credit union's Privacy Notice explains:**

- a. How your personal financial information is collected, handled, and shared
- b. How your account will be protected from criminals
- c. How much money you must keep in your account to avoid being charged a fee
- d. Where the bank or credit union's ATM's are located

**4. Match the definition with the correct term:**

Balancing: \_\_\_\_\_

a. Determining the difference between your checking account statement and register

Reconciling: \_\_\_\_\_

b. Recording all transactions and maintaining totals so you always know how much money is in your account

**5. Select all that apply. In comparing your register with your monthly statement, you notice a discrepancy: you listed a deposit of \$30, and your statement lists the deposit as \$35. You should:**

- a. Just make it \$35 in your check register
- b. Call the financial institution
- c. Check your deposit receipt
- d. Add \$5 somewhere in your check register

## Supplemental Materials

# Opening a Checking Account

## Requirements for Opening a Checking Account

When you decide to open a checking account, you will be asked to prove your identity by providing an unexpired photo ID (e.g., a State-issued driver's license, State ID card, Government or Military ID), your SSN or Individual Taxpayer Identification Number (ITIN), date of birth and an address for your opening deposit. Additionally, the financial institution may ask questions about how you intend to use the funds within your account in order to be compliant with the U.S. Patriot Act. Examples of some questions you may be asked at account opening would be: expected transaction amounts, types of transactions, purchases of negotiable instruments (gift cards, money orders, cashier's checks), use of mobile banking, US or other country citizenships, employer name and position, etc. This is to give you an idea of what may be asked but is not an all-inclusive list of questions.

The bank or credit union will then verify you are who you say you are and have you complete a signature card. A *signature card* is a form, paper or electronic, you complete and sign when opening an account. This is the document that identifies you as the owner of the account, and it identifies what your signature looks like. This helps protect you and your money against forgeries and unauthorized account use.

### *Did you know...*

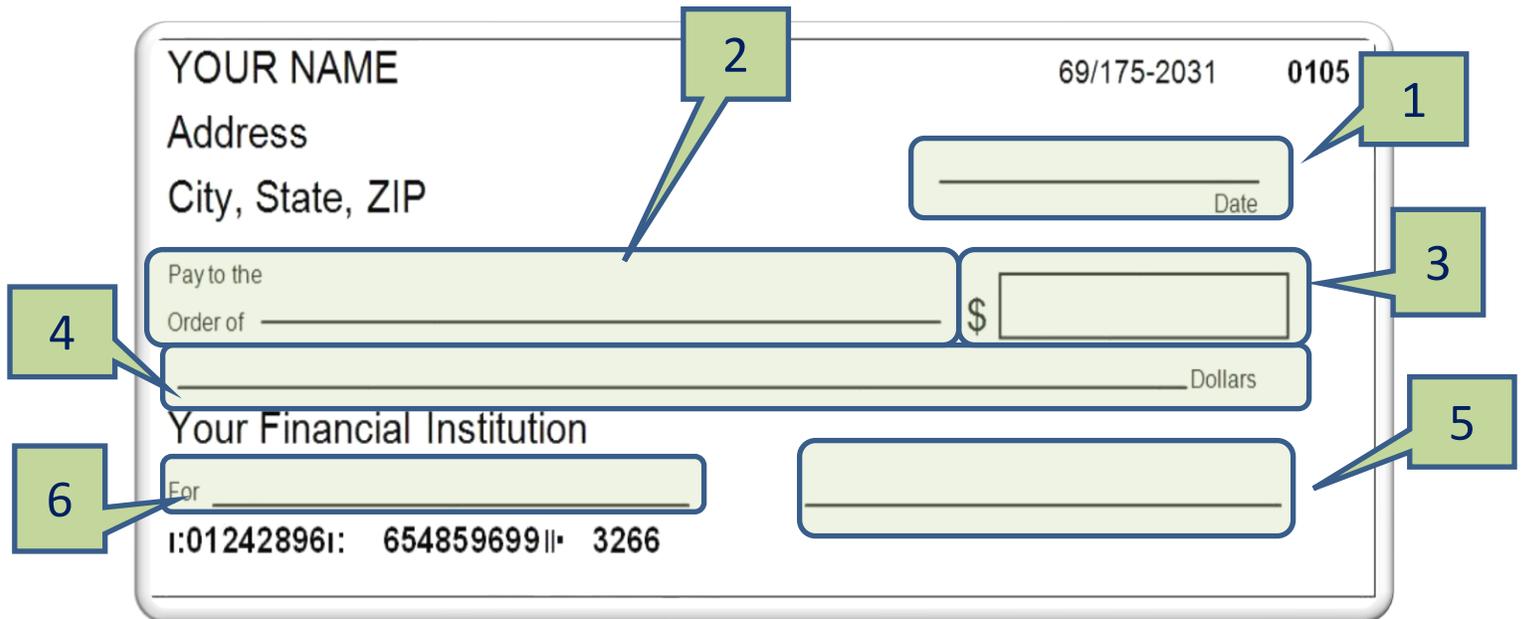
The USA PATRIOT Act, which requires financial institutions to confirm your identity, was enacted after 9/11 to help fight terrorism.

## Identity Verification and Checking History

The financial institution performs identity verification because it wants to make sure that no one is trying to steal your identity to open an account. They will also check to see whether you have any outstanding issues with other financial institutions and how you have managed your accounts in the past. They may also pull your credit report to assess the risk of giving you a checking account and/or verify your identity.

If the financial institution determines that you are not eligible to open an account, ask about "second chance" checking programs. These programs may require you to meet certain requirements (e.g., completing a check-writing workshop). Not only will second chance checking give you access to this important tool, but it will help you rebuild a positive relationship with your financial institution.

## Writing a Check



YOUR NAME  
Address  
City, State, ZIP

69/175-2031 0105

Date

Pay to the  
Order of \_\_\_\_\_ \$ \_\_\_\_\_ Dollars

Your Financial Institution

For \_\_\_\_\_

① ② ③ ④ ⑤ ⑥

①:01242896①: 654859699① 3266

☐ To write the check, you will need to fill in:

1. **The date.** Be sure to write the complete date, including the month, day, and year (e.g., February 26, 20XX).
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, you can draw a line to the end of the space. This prevents anyone from adding an additional name on your check.
3. **The dollar amount of the check in numbers** (e.g., \$19.75).
4. **The dollar amount of the check in words** (e.g., 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. **The signature line.** Sign your name here
6. **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.

Keep these tips in mind when writing checks:

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

You might want to order carbon copy checks so you have a copy of the checks you write. It will be easier to verify that you entered all of your transactions into your check register.

## Filling Out a Deposit Slip

On March 22nd, you decide to deposit \$30 in cash to your checking account at the teller window.

<b>Your Name</b>	<b>Deposit Ticket</b>				
<b>Address</b>	<i>00002215607</i>			Cash	<b>30 00</b>
<b>City, State, Zip</b>				Checks	
<b>Date</b> <u>March 22, 20XX</u>					
<small>Deposits May Not be Available for Immediate Withdrawal</small>					
<small>Sign Here for Cash Received (If Required)</small>					
<b>Your Financial Institution</b>				<b>Total</b>	<b>30 00</b>
<i>241071212</i>	<i>00002215607</i>	<i>2201</i>		Less	
				Cash	
				Received	
				<b>Total</b>	<b>30 00</b>
				Deposit	

Don't forget to add it to your check register!

**Date:** March 22, 20XX

**Description of Transaction:** Deposit

**Deposit/Credit (+):** \$30.00

**Balance:** \$230.00

Check Number	Date	Description of Transaction	Payment/Debit (-)	Deposit/Credit (+)	Balance
	3/20	Opening Deposit	200	00	\$200 00
	3/20	Deposit	30	00	\$230 00

## Finding the Right Bank or Credit Union for You

*If the financial institution is a credit union, be sure you are eligible to join.	Financial Institution / Account Type	Financial Institution / Account Type	Financial Institution / Account Type
<b>Bank/Credit Union Information</b>			
Do they offer the services I need?			
Convenient branches and ATMs?			
Hours?			
Do employees speak my language?			
Is it insured by FDIC/NCUA?			
<b>Accounts</b>			
Requirements for opening account?			
<b>Checking Accounts</b>			
Minimum opening balance?			
Minimum monthly balance?			
Fees?			
Fee waivers available?			
Number of withdrawals per month without a fee?			
Earns interest?			
Deposit hold times?			
<b>Overdraft Programs</b>			
Low balance alerts offered?			
Overdraft fees?			
Link to a savings account to cover overdrafts?			
Opt-out options?			

<b>Savings accounts</b>			
Minimum opening balance?			
Minimum monthly balance?			
Annual percentage yield (APY)?			
Fees?			
Fee waivers available?			
Withdrawal limits per month?			
Services available?			
<b>ATM Cards</b>			
Fees?			
Fee waivers available?			
Location/number of ATMs?			
<b>Debit Cards</b>			
Fees?			
Fee waivers available?			
Rebates or bonuses for use?			
Location/number of ATMs?			
Debit card transactions requirements or limits?			
<b>Mobile/online banking</b>			
Is it available?			
Transaction types and limits?			
Fees?			
Fee waivers available?			
Online bill pay?			
<b>Other Information?</b>			
<b>Total Monthly Costs</b>			
<b>Total Annual Costs</b>			

## Frequently Asked Questions

These are questions you may have during your search for a checking account. You can refer to this list for information or ask a bank or credit union employee for information specific to that financial institution.

- 1. What are the fees?** The Truth in Savings Act requires institutions to disclose fees before you open a deposit account. If there is a monthly fee, ask about ways to reduce or eliminate it (e.g., having your paycheck or Social Security check directly deposited to your account or by maintaining a minimum balance). Also ask about other fees (e.g., for using ATMs or overdrawing your account). As you shop around, consider only the fees you expect to incur and do not worry about the rest.
- 2. Is there a minimum balance requirement? What is the penalty for going below the minimum?** You may be able to meet the requirement or reduce the penalty if you have other accounts at the same bank or credit union or if you use direct deposit.
- 3. Will the account earn interest? If so, how much and what factors can raise or reduce the interest rate?** Some checking accounts pay interest, others do not. A high interest rate or APY (Annual Percentage Yield) on a checking account is definitely an attention grabber. But that great rate shouldn't divert your attention from fees that can significantly reduce, if not wipe out, your earnings. Examples include monthly fees for going below a minimum balance, monthly or quarterly "inactivity" fees if you have had no deposits or withdrawals for a certain time period, and annual service charges on Individual Retirement Accounts (IRAs).

To get the best deal possible, first think about how you plan to use the account and how much you expect to keep on deposit, and then compare different accounts at a few different institutions. Do the math as best you can, figuring your interest earnings after a year, and then subtract the estimated fees for services or a low balance based on your expected use of the account. Sometimes an account that pays no interest can be a better deal than an interest-bearing account that is heavy with fees you are likely to have to pay.

Also, remember that just because an account is advertised as "free" or "no cost," it does not mean you will pay nothing. Under federal rules, an account may be described as free even if certain fees are charged (e.g., for ATM withdrawals or overdrafts).

## Frequently Asked Questions (Cont'd)

### 4. If I overdraw my account, what are my options for avoiding fees for insufficient funds?

Many banks offer overdraft lines of credit, which work like a loan. Keep in mind that these programs typically come with their own costs. Of course, the best way to avoid overdrawing your account is to keep your checkbook up-to-date by recording all transactions and regularly balancing your account.

### 5. How can I avoid unnecessary costs?

- Keep your check register up to date. Deduct for all withdrawals—not only for checks but also for ATM transactions, fees, and debit card purchases. Do not rely on your ATM receipt for balance information, because it may not reflect outstanding checks or debit card transactions.
- Promptly compare your check register with your monthly statement to look for errors or unauthorized transactions. Open and review your statement as soon as it arrives in the mail, or check your account information more frequently online or by telephone.
- Take additional precautions to avoid fees for insufficient funds. For instance, make sure you have enough money in your account before you write a big check, use your debit card, or arrange for an automatic payment. Also, remember that under federal rules that allow banking institutions to put a temporary “hold” on certain deposits, you may have to wait from 1 to 5 business days (in most situations) before you can withdraw funds deposited into your account; possibly longer in other circumstances (e.g., deposits over \$5,000 or if your account has been repeatedly overdrawn).

6. **Will the bank/credit union and the account be convenient for me?** If you think you'll make frequent visits to the bank or credit union branch or to ATMs, their locations (and the fees paid for ATM withdrawals) may be the most important consideration in deciding where to open an account.

## Resources

### Bank On Website

[www.bankonhr.org](http://www.bankonhr.org)

Find calendar of classes, Lessons, homework, articles, and more

### Choose to Save

[www.choosetosave.org/ballpark/](http://www.choosetosave.org/ballpark/)

The Ballpark E\$timate is an easy-to-use worksheet that helps you quickly identify how much you need to save for retirement.

### Consumer Financial Protection Bureau

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

Educational resources for Consumers to help avoid Unnecessary charges and Fees.

### FDIC Consumer News

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

Resources to educate and protect consumers, revitalize communities, and promote compliance with fair lending laws.

### Financial Fitness

[www.financialfitness.org](http://www.financialfitness.org)

Produced by the Virginia Society of CPAs, this site provides financial management strategies.

### Financial Planning Association

[www.fpanet.org](http://www.fpanet.org)

Financial Planning Association's website with a lot of free articles and web tools to help you reach your goals.

### Jump\$tart

[www.jumpstart.org](http://www.jumpstart.org)

Dedicated to improving the financial literacy of youth through advocacy, research, standards and educational resources.

### LifeCents

<https://bankonhr.mylifecents.com>

Online financial tools and education customized for your needs.

### The Motley Fool

[www.fool.com](http://www.fool.com)

Provides financial solutions for investors of every kind and is designed to help you take control of your financial life.

# Resources

## myFICO

[www.myficocom](http://www.myficocom)

Offers informative credit-information products that help you understand actions you can take to achieve and protect your overall financial health.

## My Money

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

U.S. government's website dedicated to teaching the basics about financial education.

## National Endowment for Financial Education

[www.nefe.org](http://www.nefe.org)

NEFE's goal is to help consumers in practical financial ways.

## PowerPay

[www.powerpay.org](http://www.powerpay.org)

Helps you learn how to eliminate debt faster and teaches debtors how to become savers.

## Practical Money Skills

[www.practicalmoneyskills.com](http://www.practicalmoneyskills.com)

This game-focused site is a great way for young people to learn money skills. Try out Financial Football and Financial Soccer!

## Smart About Money

[www.smartaboutmoney.org](http://www.smartaboutmoney.org)

This website, offered through National Endowment for Financial Education (NEFE), is a great resources for families in financial stress

## USAGov: Money in General

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

Information on money and taxes including financial agencies, saving, taxes, scams and more.

## Virginia Cooperative Extension

[www.pubs.ext.vt.edu/category/family-financial-management.html](http://www.pubs.ext.vt.edu/category/family-financial-management.html)

VCE website dedicated to financial management strategies for every stage of life.

## Virginia Saves

[www.virginiasaves.org](http://www.virginiasaves.org)

Coordinated by the non-profit Consumer Federation of America (CFA), this campaign can help you save money, reduce debt, and build wealth.

The following resources were used to compile these modules:  
 FDIC Financial Education Curriculum  
 Credit Union National Association FiCEP Curriculum  
 National Endowment for Financial Education *Smart About Money*

# Activity 1: Answer Key

The purpose of this exercise is to practice making deposits to and withdrawals from your account and keeping track of the balance. Read the scenario carefully. Complete the table and determine the new balance. Be prepared to explain your answers.

### Scenario

Carl opened an account and deposited \$500 in cash. The next day, he wrote a check for \$70 to pay his electric bill. At the end of the week, he received a paycheck for \$870 and deposited it into his account. What is the balance in Carl's account after he made the payment (or withdrawal) and deposit?

Description	(+) Deposit/Withdrawal (-)	Balance
Opening Balance	\$500	\$500
Payment/Withdrawal	\$-70	\$430
Deposit	\$870	\$1,300

# Pre Test Answer Key

**1. Which of the following are insured financial institutions? Select all that apply.**

- b) Banks
- c) Credit Unions

NOTE: Banks are insured by FDIC and Credit Unions are insured by NCUA. This protects your deposits in the event of a financial institution failure – (your money is safe).

**2. A “second chance” checking program is an account that:**

- d) You can open if you cannot open a regular checking account because of past negative financial events

NOTE: Second chance accounts allow you to open an account with limited features as you work to correct any negative items from your checking history and rebuild a positive relationship with your financial institution. There may be fees associated with these accounts.

**3. Which of the following do you do when you reconcile your checking account? Select All that apply.**

- b) Account for any differences between your statement and your check register
- d) Determine which checks have cleared

NOTE: Reconciling means that you are identifying discrepancies between the bank statement and your transaction register. If there are omissions or math errors, your register should be updated to be in “sync” with your financial institution’s records.

**4. When you take more money out of your account than you have in it, that is called:**

- c) An overdraft

NOTE: Overdrafts can be handled a number of ways. Contact your financial institution for details about your options.

**5. Direct deposit is a way to keep your money safe because:**

- d) Your money goes directly to your bank account and there is no risk of it being lost.

NOTE: Direct deposit is a way for you to receive your funds faster and is safer than paper checks. Most employers offer this feature if you ask your payroll department to set it up.

## Post Test Answer Key

**1. Which Money Cycle is the best for financial freedom?**

d) Cycle Four: Earn-Save-Spend

Saving first increased your potential for building wealth over time.

**2. If you deposit a check, you may not have immediate use of all of the funds. This is called a:**

b) Check hold

Financial institutions may hold a check until the funds clear. Check your receipt for when your funds will be available to you.

**3. Your Bank or Credit Union's Privacy Notice explains:**

a) How your personal financial information is collected, handled, and shared

It is one of your rights as a customer to know how your information is handled

**4. Match the definition with the correct term**

Balancing: (B)

a. Determining the difference between your checking account statement and register

Reconciling: (A)

b. Recording all transactions and maintaining totals so you always know how much money is in your account

**5. Select all that apply. In comparing your register with your monthly statement, you notice a discrepancy: You listed a deposit of \$30, and your statement lists the deposit as \$35. You should:**

b) Call the financial institution

c) Check your deposit receipt

Your receipts should be your proof of the transaction and allow you to correct the discrepancy quickly.

## Glossary

- Automated Clearing House (ACH)** – Allows money to transfer between accounts or between financial institutions electronically. May take several days before money is available for use.
- Automated Teller Machine (ATM):** A kiosk or terminal where you can deposit, withdraw, or transfer money from one account to another 24 hours a day.
- Balance:** The amount of money you have in your account.
- Bank:** A business that offers you a safe place to keep your money and uses your deposits to make loans. This business is also called a financial institution.
- Bank Statement:** deposits, withdrawals, fees charged to your account, ATM and debit transactions, checks written, and other messages to you.
- Check:** A written contract between you and your financial institution. When you write a check, you are asking the bank to take money from your account and give it to someone else.
- Check Hold:** If you deposit a check, you may not have immediate use of all of the funds. This is called a check hold.
- Checking Account:** An account that lets you write checks to pay bills or to buy goods.
- Credit Union:** A not-for-profit financial institution owned by people who have something in common. You have to become a member of the credit union to keep your money there.
- Debit Card:** A card that allows you to deposit cash into and withdraw money from your checking account at many Automated Teller Machines (ATMs), and make purchases at retail locations that accept credit cards (e.g., department stores or gas stations).
- Deposit:** Money you add to your account.
- Deposit Account:** An account that allows you to add money to it.
- Deposit Slip:** A piece of paper that tells the financial institution how much money you are adding to your account. (Not required at all financial institutions).
- Direct Deposit:** One method your employer or a government agency might choose to give you your paycheck or benefits check.
- Endorsement:** The act of signing the back of a check so that you can deposit or cash it.

## Glossary

- Electronic Banking:** The use of computers to move money to and from your account, instead of using checks and other paper transactions. Electronic banking includes debit card transactions, electronic bill pay, and Automated Teller Machine (ATM) transactions.
- Electronic Bill Pay:** A service that automatically takes money from your account to pay your bills.
- Fees:** The amount charged by financial institutions for account activities and services.
- Fee Schedule:** A document that lists the fees you might be charged for certain account activities.
- Interest:** A percentage of your balance that the bank or credit union pays you for keeping your money at that financial institution. Not all accounts pay interest.
- Loan:** Money you borrow from a bank or credit union with a written promise to pay it back later.
- Minimum Balance:** A certain balance that your financial institution might require you to have to open an account, earn interest, or avoid fees.
- Money Order:** It is similar to a check. It is used to pay bills or make purchases when cash is not accepted.
- Online Bill Pay –** A service offered by some financial institutions in which you can pay your bills online through their website and/or mobile app."
- Privacy Notice:** A written explanation of how the company handles and shares your personal financial information.
- Reconciliation:** The act of resolving the difference between the statement balance and your check register balance.
- Remittance:** A money transfer that goes to a financial institution or a person in another country.
- Savings Account:** An account that earns interest.
- Signature Card:** A form you complete and sign when you open an account indicating you are the account owner.
- Substitute Check:** An electronic image of your check that has the same standing as the actual check.
- Transaction:** A banking activity (e.g., depositing or withdrawing money, using your Automated Teller Machine (ATM) or debit card, or having checks direct-deposited into your account).
- Transaction Register:** A booklet to write down all of your deposits and withdrawals from your account, including fees and monthly charges.
- Withdrawal:** Taking money out of your account.
- Wire Transfer:** A form of money transfer from one financial institution to another.