

Part I: Checks and Checking Concepts

Managing a checking account is an easy, step-by-step process that anyone can learn. In spite of the rise of ATM, debit and credit cards, direct deposit, automatic bill payment and online transactions, checks remain American’s favorite form of noncash payment. As of 1998, more than 67 billion are written annually, and the number continues to increase at a rate of about 3 percent each year.

Your checking account is fundamental to all your financial transactions.

Deposits

- Direct Deposit
- Paycheck
- Tax Refund
- Cash Gifts

Payments

- Mortgage or Rent
- Vehicle Loan
- Utilities
- Insurance
- Tuition



Withdrawals

- Checks
- ATM
- Debit Card

Investments

- IRA Account
- Mutual Fund
- Money Market
- Savings
- Certificates of Deposit

Checks are exact, specific, portable and widely accepted. They share a common, easy-to-understand form, yet each check is a unique payment instrument that states whom to pay, how much and when. It’s no wonder checks are so popular!

Checking account activity, however, is not limited to the deposit and writing of checks. Many other financial transactions depend on a checking account. Examples include automatic debit of bills (car loan, mortgage, utilities), transfer to a money market fund, investment or retirement account, debit cards or other “check” cards.

Checking Account Management asks and answers many of the basic questions asked by those who have never had a checking account.

For more information on maintaining your checking account, please refer to our brochure, *How to Successfully Manage Your Checking Account*.

Part II: Opening An Account

When you open a checking account, you will be asked for identification. You also may have to give your date of birth, driver’s license number and Social Security number. Then you’ll be told about your privileges and responsibilities as an account holder. Take the information home and read it thoroughly.

You’ll be asked to complete an application form like the one on the next page. If you open a joint account with a parent or spouse, he or she must sign the application form, too. (It’s illegal for anyone except the owner(s) of your share draft/checking account to use the share drafts/checks you receive.)

Choosing An Account

Most financial institutions offer a variety of checking accounts. A representative at your financial institution will explain the types offered there, so you can choose the one that's best for you.

There are three common types of share draft/checking accounts.

Regular

- No minimum balance is required.
- The financial institution pays no dividends/interest (extra money you receive for keeping your money in the financial institution) on your balance.
- You may or may not be charged a monthly service fee.

Dividend-Bearing (Interest-Bearing)

This is similar to a regular checking account, except that you are paid dividends/interest if you maintain a minimum balance. If the balance goes below the minimum or you've written too many checks, you have to pay a fee.

Money Market

This account pays higher dividends/interest but you can only write a certain number of checks each month. A minimum balance is usually required, and if the balance goes below the minimum or you've written too many checks, you have to pay a fee.

When you open your checking account, you'll receive starter checks to keep you going until your first full-quantity order is delivered. Starter checks probably will not have your name or address information on them.

Your full-quantity order will come in a box. Each check pad will contain 25 checks with your name, address, your telephone number or Social Security number printed on them. It's your choice.

Account Application

THIS CARD IS TO: OPEN A PERSONAL/JOINT ACCOUNT NOTE: AN INITIAL DEPOSIT OF \$5 PLUS A \$6 MEMBERSHIP FEE IS REQUIRED
 OPEN A CUSTODIAL (UTMA) ACCOUNT

Please Print

MEMBER NAME (MINOR IF CUSTODIAL) (FIRST, MIDDLE, INITIAL, LAST)		DRIVERS LICENSE NO.
ADDRESS CITY, STATE, ZIP CODE		
HOME PHONE NO.	WORK PHONE NO.	DATE OF BIRTH
SOCIAL SECURITY NO.	PLACE OF BIRTH (CITY, STATE)	
EMPLOYER	DATE OF HIRE	MOTHER'S MAIDEN NAME
EMPLOYEES ONLY:	EMPLOYEE NO.	JOB TITLE
FAMILY MEMBERS ONLY:		RELATIONSHIP TO EMPLOYEE

JOINT MEMBER #1 NAME (OR CUSTODIAN IF CUSTODIAL) (FIRST, MIDDLE, INITIAL, LAST)		
SOCIAL SECURITY NO.	DATE OF BIRTH	DRIVERS LICENSE NO.
PLACE OF BIRTH (CITY, STATE)	MOTHER'S MAIDEN NAME	
RELATIONSHIP TO MEMBER	HOME PHONE NO.	WORK PHONE NO.

JOINT MEMBER #2 NAME (OR SUCCESSOR CUSTODIAN IF CUSTODIAL) (FIRST, MIDDLE, INITIAL, LAST)		
SOCIAL SECURITY NO.	DATE OF BIRTH	DRIVERS LICENSE NO.
PLACE OF BIRTH (CITY, STATE)	MOTHER'S MAIDEN NAME	
RELATIONSHIP TO MEMBER	HOME PHONE NO.	WORK PHONE NO.

CERTIFICATION AS TO FEDERAL TAX IDENTIFICATION NUMBER AND BACKUP WITHHOLDING:
 Under penalty of perjury, I certify (1) that the social security number listed above is my correct Federal tax identification number and (2) that I am not subject to backup withholding either because I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to backup withholding.

PLEASE CHECK HERE IF YOU ARE SUBJECT TO BACKUP WITHHOLDING

MEMBER SIGNATURE _____ DATE _____

The above named individual makes application for membership in the _____ Federal Credit Union and agrees to conform to its bylaws or any amendments thereto and subscribe for at least one share.

The undersigned acknowledges receipt of and agrees to a full and complete list of rules and regulations (Account Agreement and Disclosure), and a fee schedule concerning the account and to any beneficiaries designated. Also, all of the undersigned certify, under penalty of perjury, that all information furnished on this application is true and correct. It is also agreed that the member may, at any time, without the consent of the joint member(s), close the account, add a joint member or remove the name of any or all joint members.

Any monies may be deposited or withdrawn, subject to the bylaws and rules of the credit union, upon any one of the following signatures:

MEMBER SIGNATURE _____ DATE _____

JOINT MEMBER #1 SIGNATURE _____ DATE _____

JOINT MEMBER #2 SIGNATURE _____ DATE _____

CHECKING ACCOUNT INFORMATION

Complete this section if you would like to open a checking account (not available on custodial accounts).

YES NO

Has anyone on this application had a checking account at this or another financial institution within 12 months before making this application?
Name of institution _____

Has anyone on this application had a checking account closed by a financial institution without their consent within 12 months before making this application?
Name of institution _____

Has anyone on this application ever been convicted of a criminal offense because of the use of a check or other similar item within 24 months of making this application?

PLEASE COMPLETE THE ENCLOSED CHECK ORDER FORM AND RETURN WITH THIS COMPLETED APPLICATION. ALSO ENCLOSE AN INITIAL DEPOSIT TO COVER YOUR INITIAL ORDER OF CHECKS.

You will probably have to fill out a form like this when you apply for your checking account.

What is a Share Draft?

In 1974, Congress determined that credit union members could write checks, but their checks had to be "drafts" against their savings or "share" accounts. Hence, the term share draft. Before that time, credit unions were restricted from offering such accounts.

Part III: Depositing A Check

Before you can cash or deposit any check, you have to endorse it. That means you must sign or stamp the back of it. Most checks have a line for a signature or stamp. Otherwise, endorsements should be made within 1.5 inches from the left edge on the back of the check.

Endorsing A Check

Blank Endorsement. Sign your name on the top back of a check. Anyone can then cash the check. For security, only endorse a check this way when you are ready to cash it.

Blank Endorsement

ENDORSE HERE
 X John Smith

Restrictive Endorsement

Restrictive Endorsement. To restrict a check for deposit only, write these words above your endorsement. Only the payee can write a restrictive endorsement. It's a good idea to use this when mailing a check to be deposited or if someone else is depositing your checks.

ENDORSE HERE
 X John Smith

Special Endorsement

Special Endorsement. This makes a check payable to a third party and prevents anyone else from cashing it.

ENDORSE HERE
 X John Smith

DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE
 RESERVED FOR FINANCIAL INSTITUTION USE *

Tips on Endorsing Share Drafts/Checks

- When you endorse a check, sign your name exactly as it appears on the front.
- When your name is spelled incorrectly on the front of the check, endorse it on the back the same way it appears on the front. Below that, sign your name correctly.
- If you give someone a check made out to you, be sure to write on the back “pay to the order of” and the person’s name. Sign your name below that.
- Remember: You are responsible for payment on any check you write.

Endorsing Exercise

For this exercise, use the sample check (left) and the deposit slip (below). Follow along by writing the information requested in each step. This exercise is a deposit of a check made out to you. You will use a blank endorsement in this exercise. Blank endorsements are largely for deposits made in person at a financial institution, but also can be made at an ATM machine.

ENDORSE HERE

X

DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE.
RESERVED FOR FINANCIAL INSTITUTION USE

Endorsing A Check Payable to You (Blank Endorsement)

- Step 1.** On the top 1.5 inches of the back of the check you will notice an area reserved for endorsements. At the X, sign your name with your legal signature.
- Step 2:** Enter the date on the deposit slip date line.
- Step 3:** Enter check amount in appropriate space of deposit box on the deposit slip. (Directly to the right of the box that reads "LIST CHECKS SINGLY."): \$687.22.
- Step 4:** Enter total deposit amount in appropriate space of deposit box. (The box directly to the right of the one that reads "TOTAL"): \$687.22
- Step 5:** Enter net deposit amount in appropriate space of the deposit box. (The box directly to the right of the box that reads "NET DEPOSIT."): \$687.22
- Step 6:** After you have completed Steps 1 through 5, you're ready to submit the endorsed check and deposit slip to a teller.

If you want a portion of your deposit returned in cash, enter the cash amount in the "Less Cash Received" box on the deposit slip. Subtract cash received from total deposit amount and fill in the amount of the net deposit that will be credited to your account.

If you're making your deposit at an ATM machine, follow steps one and two. Then fill out the deposit envelope at the ATM according to the instructions provided. You will get a receipt telling you the amount of your deposit. For more information, see the section in this brochure on ATM transactions.

CHECKS AND OTHER ITEMS ARE RECEIVED FOR DEPOSIT SUBJECT TO THE PROVISIONS OF THE UNIFORM COMMERCIAL CODE OR ANY APPLICABLE COLLECTION AGREEMENT.

JOHN OR MARY SMITH
1234 PLEASANT ST.
SPRINGFIELD, MN 55555
612-555-0000

DATE _____

SIGN HERE FOR CASH RECEIVED (IF REQUIRED)

Eagan Office
3390 Pilot Knob Road
Eagan, MN 55121

A123456780A

LIBERTY

CASH	CURRENCY				
	COIN				
	LIST CHECKS SINGLY				17-1/010 D AVAILABILITY OF DEPOSITS NOTICE: DEPOSITS may not be available for immediate withdrawal.
	TOTAL FROM OTHER SIDE				
	TOTAL				
	LESS CASH RECEIVED				
	NET DEPOSIT				

USE OTHER SIDE FOR ADDITIONAL LISTINGS

Printed with soy based inks on recycled paper containing post-consumer waste.

Part IV: Writing Share Drafts/Checks

1 Month, Date, Year

2 The name of the person or company you are paying.

3 Enter the dollar amount

4 Legal Amount. Write out the dollar amount in words, starting as far to the left as possible. Write in amounts of dollars and fractions of dollars. For example: \$10 is written Ten and no/100; \$251.41 is written Two hundred fifty one and 41/100.

5 Memo (an optional reminder)

6 Sign your name.

JOHN OR MARY SMITH
1234 PLEASANT ST.
SPRINGFIELD, MN 55555-0000
612-555-0000

January 23, 2000

265

PAY TO THE ORDER OF Sunshine Foods \$ 85.27

Eighty-five and 27/100 DOLLARS

LIBERTY

Groceries

A 1 2 3 4 5 6 7 8 0 A

John Smith

Fill in any remaining space with a line to the right of the amount. This will prevent anyone from increasing it.

Helpful Hints for Writing Checks

- Write in ink so nothing you wrote can be changed.
- Write clearly.
- Fill in all the blank lines with the proper information.
- Remember that when you pay in person with a check, you usually must show identification. This can be a state I.D., a driver's license, a credit card or other form of identification, depending on the store.
- Never sign a check until all other information on it has been completed.

Check Writing Exercise

JOHN OR MARY SMITH 1234 PLEASANT ST. SPRINGFIELD, MN 55555-0000 612-555-0000	1265
DATE _____	
PAY TO THE ORDER OF _____	\$ <input type="text"/>
_____	DOLLARS
A123456780A	

Step 1. Write the check No.1265 for a new sweater you bought at “Cotton Plus.” Your bill for the sweater is \$36.92. Use today’s date and your own signature.

Step 2. Check No. 1266 has been written for a \$15.52 book you bought at “Pages & Pages Book Store.” What’s wrong with the check?

JOHN OR MARY SMITH 1234 PLEASANT ST. SPRINGFIELD, MN 55555-0000 612-555-0000	1266
DATE <u>Jan 20, '00</u>	
PAY TO THE ORDER OF <u>Pages and Pages Bookstore</u>	\$ <input type="text" value="15.52"/>
<u>Fifty and 52/100</u>	DOLLARS
<u>Book</u>	<u>Your Signature</u>
A123456780A	

What if you make a mistake?

1. Write VOID in big letters across the check.
2. Write VOID for the check number in your register (or on your stub).
3. Rip up the check and write a new one.

Part V: ATM Transactions

You very likely will use an ATM card with your checking account to make deposits and withdrawals, or to transfer money from one account to another. ATMs are easy to use; the computer gives you choices on what to do. Respond to these prompts by pressing designated buttons or by using a keypad.

When you withdraw cash from your checking account through an ATM machine, you don't have to write out a check. When you're finished with the ATM, you'll receive a receipt stating the time, date, place and nature of the transaction. Some ATMs will also provide checking account balance information. Save this receipt to verify against your statement.

To obtain ATM access, your financial institution will issue a plastic card that resembles a credit card and a Personal Identification Number (PIN). This number is either selected by you or assigned by your financial institution. If assigned, you may be able to have it changed to one that's easier to remember. Don't choose an obvious number such as your birthday or address. (A thief could get such numbers easily if he also had your driver's license.)

For security, never write your PIN on the card, and always keep your card and PIN separate. Memorize your ATM PIN number. Report lost or stolen checkbooks, checks or ATM cards to your financial institution immediately.

Sample ATM Withdrawal

1. Insert your card into the ATM.
2. When prompted, enter your PIN.
3. Select withdrawal from the screen menu.
4. Select the account (e.g., checking, savings).
5. Enter the amount you wish to withdraw. Note: Some ATMs only let you choose even quantities (e.g., \$20, \$40), others will permit odd quantities (e.g., \$25, \$35). However, no ATM will let you enter a dollar amount not evenly divisible by five or 10 (e.g., \$33).
6. Respond to the prompt to verify amount and account information.
7. When prompted for another transaction, select "no." Make sure you have your cash, card and receipt.

More Electronic Funds Transfer Services

Point of Sale Transactions

Debit cards and check cards are increasingly accepted by restaurants, supermarkets, gas stations and other stores. These cards automatically subtract the purchase amount from your checking account. Instead of writing a check, use your debit card. A receipt allows you to track purchases so you can enter these transactions in your register.

Pre-Authorized Bill Payments

If you authorize them, some credit unions can automatically pay specified bills, so you don't have to write checks each month. Bills paid this way might include car payments, utilities, rent or mortgage payments, insurance premiums and health club dues.

Part VI: Using Your Checkbook Register

You need to keep a record of all checking account transactions—including deposits, withdrawals, fees and any dividends/interest paid to you. You'll receive a check register from your credit union for this purpose. It's a good idea to balance your register as you go along, so you'll always know your account balance.

A Sample Checkbook Register

1. Enter the number of the check or ATM transaction here.

2. Enter the date you wrote the check or the date of your ATM transaction.

3. On the white line, write the name of the person or company you wrote the check to. Record deposits, dividends/interest, ATM cash withdrawals, funds transfers from other accounts and service charges here, too.

4. Write the reason for the check in the shaded area.

Check No.	Date	Description of Transaction	Amount of Transaction		Amount of Deposit/Interest		Balance
							203 96
500	10/1	Diane's Deli Lunch	14	78			14 78
	10/1	Deposit			83	26	83 26
							272 44
501	10/2	Auto Mart Hub cap	12	15			12 15
							260 29
502	10/2	T-Shirts, Etc. Clothes	25	00			25 00
							235 29
	10/3	ATM Withdrawal	20	00			20 00
							215 29

5. If this was a check, a transfer or a cash withdrawal, enter the amount here.

7. Put the amount of a deposit, credit or dividends/interest here.

8. Keep track of the amount of money in your account here, in the balance column. Add or subtract as needed for each entry. Write your new balance in the shaded area.

Duplicate Checks

Checks that make a copy each time you write one are called duplicate checks. When all your checks have been written, store the duplicates in a safe place for your records. Keep your registers there, too, as you fill them up.

Register Entry 2: ATM Withdrawal

Step 1. Enter the date: 6/11

Step 2. Enter the transaction description: ATM Withdrawal

Step 3. Enter the amount of the withdrawal: \$20.00. This is considered a minus, or subtraction from your account. Enter the withdrawal amount in the amount of transaction, or minus column.

Step 4. Enter the new balance: \$467.82. Calculate the new resulting balance by subtracting the amount of the withdrawal from the previous balance.

Register Entry 3: Deposit

The third checkbook register entry will be for a deposit you made to your checking account.

Step 1. Enter the date: 6/12

Step 2. Enter the transaction description: Deposit

Step 3. Enter the deposit amount: \$687.22. This is an addition to your account. Enter \$687.22 in the amount of deposit, or addition column.

Step 4. Enter the new balance: \$1,155.04. Calculate the new balance by adding the amount of the deposit to the previous balance.

Register Entry 4: Voided Check

The fourth checkbook register entry will be for a voided check you wrote.

Step 1. Enter the check number: 451

Step 2. Enter the transaction description: Void

Step 3. Draw a line in the balance column. This line means the voided check doesn't affect your checking account balance.

Step 4. Carry down the existing balance and enter it as the new balance: \$1,155.04

Register Entry 5: Payment for Groceries

The fifth and final checkbook register entry will be for a check you wrote.

Step 1. Enter the check number: 452

Step 2. Enter the date: 6/14

Step 3. Enter the transaction description: ABC Grocery

Step 4. Enter the amount of payment: \$85.11

Step 5. Enter the new balance \$1069.93

Part VII: Balancing Your Account

You'll regularly receive a statement from your financial institution showing how much money you deposited, how much you withdrew and how much was in your account the day the statement was issued. The balance on your statement should equal the balance in your register.

Reconciling your account—making sure all entries in your register match all entries on your statement—is an important part of maintaining good financial health. Depending on how active your account is, you may have a few discrepancies because of timing (e.g., a check you entered in your register hasn't been presented for payment or your latest deposit hasn't been credited).

Study the sample statement and reconciliation sheets on the following pages. Use your register to accurately record all checking account transactions—deposits, withdrawals or payments, and fees, if any. The register is a reference you'll need to help you balance your account when your statement arrives.

Checkbook Out of Balance?

- Did you enter all ATM and other electronic transfers in your register?
- Did you write checks near or after the statement date that hadn't yet cleared?
- Did you make deposits near or after the statement date that weren't recorded?
- Did you deduct all service charges?
- Did you forget to record any checks or deposits?
- Do all check and deposit figures match those in your statement?
- Did you forget to deduct the cash you received back on deposits?
- Did you double check your addition and subtraction?
- Did you accurately carry forward correct balances after each transaction?

If you try these suggestions and your account is still out of balance, call your financial institution.

Sample Checking Account Statement

**Great
Federal
Credit
Union**

John or Mary Smith
1234 Pleasant St.
Springfield, MN 55555-00000

Account #: 24678
Page: 1
Soc. Sec. #: 999-99-9999

Statement Period
Monthly From: 12/01/99
To: 12/31/99
Non-Monthly From: 12/01/99
To: 12/31/99

Tran Date	Tran Type	Transaction Amount	Resulting Share Balance	Loan Principal	*Finance* *Charge*	Resulting Loan Balance
Share Suffix X—FREE CHECKING						
12-01-96	BEG. BAL		371.29			.00
11-29-96	TFR DEP	169.00	540.38			
12-02-96	TFR DEP	115.00	655.38			
12-04-96	DEPOSIT	300.00	600.42			
12-06-96	TFR DEP	50.00	616.90			
12-12-96	W/D	49.67	468.49			
	Insurance State Farm					
12-13-96	TFR DEP	300.00	768.49			
	Semi-Monthly Payroll Deduction					
12-16-96	TFR DEP	100.00	833.65			
12-24-96	TFR DEP	60.00	520.38			
12-24-96	TFR DEP	15.00	535.38			
12-27-96	DEPOSIT	400.00	822.31			
12-31-96	TFR DEP	300.00	1,102.31			
	Semi-Monthly Payroll Deduction					
12-31-96	TFR DEP	145.44	1,247.75			
12-31-96	TFR DEP	200.00	1,447.75			
12-31-96	ENDBAL		1,156.57			

DRAFT #	DATE	AMOUNT	DRAFT #	DATE	AMOUNT
9516	12-20-96	3.90	9575	12-03-96	20.00
9564*	12-03-96	169.09	9577*	12-04-96	4.52
9567*	12-02-96	15.25	9578	12-05-96	6.37
9569*	12-02-96	6.11	9580*	12-04-96	16.25
9570	12-02-96	13.00	9581	12-09-96	30.00
9571	12-02-96	3.72	9582	12-11-96	20.00
9572	12-02-96	20.17	9583	12-05-96	6.38
9573	12-02-96	88.50	9584	12-06-96	4.41
9574	12-02-96	19.12	9585	12-20-96	26.00

*INDICATES A BREAK IN DRAFT # SEQUENCE

Sample Account Reconciliation

LIST DRAFTS OUTSTANDING NOT CHARGED TO YOUR DRAFT ACCOUNT				PERIOD ENDING	
DRAFT NUMBER	AMOUNT	DRAFT NUMBER	AMOUNT		
9014	30 00				
9576	193 65				
9586	49 96				
9599	83 25				
9627	400 00				
9628	4 66				
Ins.	49 67				
9630	102 00				
9631	20 00				
9632	10 00				
9629	145 44				
9633	27 95				
9635	34 20				
TOTAL	1150 78				

1. SUBTRACT FROM YOUR REGISTER ANY CHARGES LISTED ON THIS STATEMENT WHICH YOU HAVE NOT PREVIOUSLY DEDUCTED FROM YOUR BALANCE. ALSO, ADD ANY DIVIDEND.	
2. ENTER BALANCE SHOWN ON THIS STATEMENT HERE	\$ 1156 57
3. ENTER DEPOSITS MADE LATER THAN THE ENDING DATE OF THIS STATEMENT	\$ 100 00
+ + +	\$
TOTAL (2 PLUS 3)	\$ 1256 57
4. IN YOUR DRAFT REGISTER, CHECK OFF ALL DRAFTS PAID AND IN AREA PROVIDED AT LEFT, LIST NUMBERS AND AMOUNTS OF ALL UNPAID DRAFTS.	\$
5. SUBTRACT TOTAL CHECKS OUTSTANDING	\$ 1150 78
6. THIS AMOUNT SHOULD EQUAL YOUR REGISTER BALANCE	\$ 105 79

IF YOU DO NOT BALANCE—VERIFY ADDITIONS AND SUBTRACTIONS ABOVE AND IN YOUR REGISTER, COMPARE THE DOLLAR AMOUNTS OF CHECKS LISTED ON THIS STATEMENT WITH THE CHECK AMOUNTS LISTED IN YOUR REGISTER. COMPARE THE DOLLAR AMOUNT OF DEPOSITS LISTED ON THIS STATEMENT WITH THE DEPOSIT AMOUNTS RECORDED IN YOUR REGISTER.

What if You Don't Have Enough Money in Your Account?

If you don't have sufficient funds in your account, your check will "bounce" when it's returned to your credit union for collection. It will be sent back to the person to whom it was written, without payment. You'll be charged a bounced check fee.

Guard against this potential problem by writing all transactions on your stub or register immediately, so you know your balance. Remember a deposit may not be credited immediately. Keep in mind, too, that electronic banking speeds the pace of many transactions.

Many financial institutions offer services designed to help you avoid overdrawing your account. If you qualify for overdraft protection, your institution will automatically advance funds to your account if it registers a negative balance. The money is commonly added to your account in regular increments (e.g., \$100 at a time) and interest is charged just like on a regular loan.

At some institutions, you may also request that money be transferred automatically from a savings or other account into your checking account if your checking balance falls below a certain amount.

Part IIX: Online Banking

You may have heard about online banking via personal computer. Pay your bills without writing and mailing checks, by electronically transferring money from your checking account to your credit card issuer, utility company or other vendor. Download your latest account information to see which checks have cleared or how

much you withdrew from an ATM. Transfer funds into or out of your savings account. Or handle a variety of other transactions at your convenience, 24 hours a day, seven days a week, from your own home.



Online banking offers many conveniences, but it also has a high cost of entry. You'll need a late model computer, at least a 14.4 modem, plus software from your financial institution, a third-party vendor (e.g., Microsoft, Intuit) or both. You may also have to pay a monthly fee to access your account and you might incur additional charges for excessive use. Does it sound like too much trouble?

Well, there are many advantages. You can make sure your payment is transferred on the exact date a bill is due, rather than estimating how long the mail will take. You no longer have to write checks by hand, stick stamps on the envelopes and drop them in the mail. If you tend to lose your ATM receipts, forget to note automatic payments in your

register or neglect to keep a running balance, online banking instantly provides you with the latest figures on your *actual* account balance as opposed to your *assumed* account balance.

Online banking isn't for everyone. However, if you're interested in learning more about it, call your financial institution and ask if the service is offered.

Appendix: Checks and Checking Glossary

Automated Teller Machines (ATMs). ATMs are convenient, easy-to-use computer terminals that provide electronic access to your account. You can withdraw cash, and deposit or transfer money between accounts. They're available 24 hours a day in thousands of locations such as malls, grocery stores, gas stations, convenience stores, airports, financial institutions and banks.

Checking Account. The funds in your checking account are available on demand. It's a transaction account, which means you can access your money by writing yourself a check for cash and presenting it to a teller, or by withdrawing money from an ATM (automated teller machine) with your ATM card. Of all the possible financial accounts you can hold (e.g., savings, money market), the checking account offers the easiest way to withdraw funds.

Checks. A check, also known as a share draft, is a written order that tells a financial institution to take a designated amount of money from your checking account and give it to the person or organization (the payee) specified on the check. The sum is handed over in cash or electronically transferred from the check writer's account to the account of the payee.

People and organizations that receive checks either deposit them in their own accounts or cash them. In either case, the payee's financial institution sends the check to the check writer's financial institution to receive the funds that were authorized for payment.

Checkbook Cover. For protection, your checkbook and register are stored in a cover. These are made of a sturdy vinyl or leather. Liberty offers a variety of checkbook covers designed to complement the most popular check designs.

Check Clearing. When you deposit a check, your financial institution puts a hold on the money until the check clears, which happens when the money actually arrives in your account. The hold is usually two days for in-state checks and five days for checks written against out-of-state accounts. Because your deposits need time to clear, make sure you have enough money in your account before writing checks.

The check passes through a clearinghouse where checks are exchanged—often electronically—between financial institutions. Each financial institution is served by a clearinghouse that also serves many other financial institutions. A separate clearinghouse serves many banks.

Check Endorsement. Before you can cash or deposit a check, you have to endorse it by signing the back. There are three types of endorsements: blank, restrictive and special.

Deposits. Before you can write a check, money must be deposited in your account. Some financial institutions only require deposit slips for drive-through and ATM deposits. Others might not use deposit slips at all. If your financial institution requires deposit slips, you can find some at the back of your checkbook. If you need more, ask the financial institution.

The three ways of making a deposit are: in person at your financial institution, direct deposit from an employer or other institution (e.g., Social Security Administration), and an ATM deposit.

- *In Person Deposit.* Fill out a deposit slip and present it—along with the check(s) and/or cash listed on the slip—to a teller at your financial institution. You'll probably receive a receipt. Save deposit receipts to check against your statement. For security's sake, cash deposits should always be made in person.
- *Direct Deposit.* An increasing number of employers, as well as government agencies, offer the direct deposit of paychecks, pension or other checks directly to your account. Funds transfer is automatic, and your designated account is credited in full.
- *ATM Deposits.* Many financial institution members are comfortable using ATMs for withdrawing cash from their checking account. However, ATMs can also be used for deposits. This service is especially useful if you need to make deposits at irregular hours or your financial institution is not convenient to home or job.

Duplicate Checks. These are the carbonless forms located directly behind each check. Any information written on a check is automatically copied onto the duplicate. This conveniently provides you with a ready record of all the checks you write. When you have written all the checks in a pad, you're left with a book of duplicates. Store these in case you ever need them for reference.

Voided Check. Void any checks on which you've made errors that make them unusable. Common reasons include writing in the wrong payee or an incorrect amount. As soon as you realize you can't use the check, write VOID in large letters across the face, rip it into small pieces and dispose of it.



Checking Account Management Student Workbook

