

CHECKING AND SAVING ACCOUNTS

You have now figured out how you're going to spend your money. As you probably already know, it's not practical to carry all your cash on you or to leave large amounts of money in your home. It's also not a good idea to send cash through the mail, as it can be stolen. Saving accounts and checking accounts are the most common methods of storing money. These are services offered by most banks and savings and loan associations. However, not all places with names that sound like the names of banks are financial institutions that are regulated by the federal government. When you deposit your money in the bank, make certain that it is protected by the Federal Deposit Insurance Corporation (FDIC). When using a savings and loan, be sure that it is protected by the Federal Savings and Loan Insurance Corporation (FSLIC). The FDIC and the FSLIC guarantee that if a bank or savings and loan goes out of business, your deposit is protected up to \$100,000.00.

It is important to remember that all banks don't have the same interest rates, the same service charges, or the same minimum account balance amounts. A majority of larger banks offer online services to make banking easier. For example; sending bills and checking your account. If you have a computer you should see how you could get on line. Usually it is a free service, but check with your bank first. This could save you a lot of time and it could help you to manage your money more effectively. You must comparison shop for savings and checking accounts like you do for other things in order to get the services that suit you. When choosing either or both types of accounts, it is important to remember your financial goals and needs.

Savings Accounts



As we saw in the budgeting section, it is important to build up some saved money, and even saving just a little bit of money at a time can help you reach your financial goals.

Money in a savings account earns interest. The bank pays you interest for the privilege of holding your money. Savings accounts can also be used to temporarily store money. If you have difficulty with balancing a checkbook or use checks irresponsibly, you can use saving accounts in combination with money orders to pay your bills.

For what purposes would *you* use a savings account?



ACTIVITY

Visit two different local banks and obtain the following information for each.

Bank A	Bank B
Name:	Name:
Address:	Address:
Office Hours:	Office Hours:
Describe at least 2 types of savings accounts:	Describe at least 2 types of savings accounts:
What is the rate of interest on a passbook/savings account?	What is the rate of interest on a passbook/savings account?
What is the minimum amount of money you are required to keep in a savings account?	What is the minimum amount of money you are required to keep in a savings account?

<p>How do you withdraw money from the account?</p> <p>Are there any fees or service charges associated with the account? If so, list them.</p> <p>What happens if you lose a passbook?</p>	<p>How do you withdraw money from the account?</p> <p>Are there any fees or service charges associated with the account? If so, list them.</p> <p>What happens if you lose a passbook?</p>
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If you opened a savings account, which of the two banks would you choose? Why?



ACTIVITY

If you don't have a savings account, open one at the bank which best suits your need.

Checking Accounts



Checking accounts are different from savings accounts. They provide you with an alternative to cash. Instead of paying bills or purchasing items with cash, you can usually write a check for the amount of the bill. The bank will then subtract the amount of the check from your account and give your money to the agency to which you made out the check. You are responsible for keeping a record in the back of your checkbook of the checks you have written and the deposits you have made into your account. At the end of the month you will receive a monthly bank statement which summarizes your account activity and returns your canceled checks. (A canceled check is a check that has been cashed by the payee.) The canceled checks can be used as receipts for your purchases.

Many banks offer a telephone service, which enables you to call in at any time to inquire about your account balance, and have online services. (Some banks will not offer checking accounts to people under 18.)

For what purposes would you use a checking account?



ACTIVITY

Visit two different local banks and obtain the following information for each.

Bank A	Bank B
Name:	Name:
Address:	Address:
Office Hours:	Office Hours:
Describe at least 2 types of checking accounts:	Describe at least 2 types of checking accounts:
How do you open a checking account?	How do you open a checking account?

What does it cost to have a checking account? (Is there a cost per check cashed? Service charges?) What are some of the services the bank will charge you for?

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Is there a minimum balance you must maintain?

Is there a minimum balance you must maintain?

What is a canceled check?

What is a canceled check?

Should you keep canceled checks? Why or why not?

Should you keep canceled checks? Why or why not?

What happens if a check bounces? What does the bank charge you if they cover the check for you?

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Does the bank have a 24-hour Automatic Teller Machine (ATM)? Is there a fee per transaction or a monthly fee to use the ATM?

Does the bank have a 24-hour ATM? Is there a fee per transaction or a monthly fee to use the ATM?

There are many types of checking accounts. Again, remember to comparison shop for the types of features (service charges, location, and minimum balance) that best suits your needs.

Which of the banks would you choose? Explain.

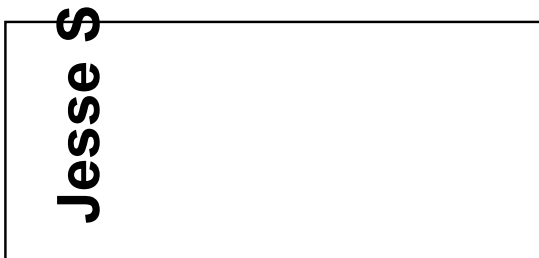


No matter what type of checking account you open, most have the same kinds of checks. You must take care to write checks properly so that the bank will do exactly what you want. Always follow these rules when you write a check:

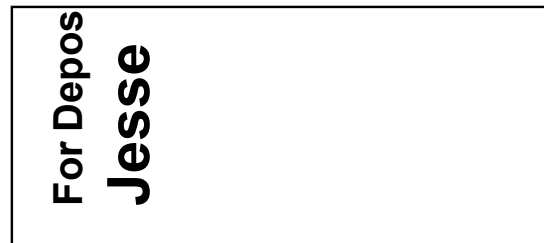
1. Always write a check in ink.
2. Date the check the day you write it. Never pre- or postdate it. Write the amount of the check in numbers close to the dollar sign so that no one can insert a number before the amount you have written
3. Write the amount of the check in words starting of the far left side. After the last word, draw a line to fill the unused space.
4. Always sign the check the same way you signed the signature card at the bank.
5. Never sign a blank check.
6. Record each check in your check register *immediately* after it is written.

Types of Check Endorsements

In order to cash a check that is made out to you, you must first endorse it by signing your name on the back of the check. There are three types of endorsements: a) a blank endorsement, b) a restrictive endorsement, and c) a special endorsement.



Blank



Restrictive

Use a restrictive endorsement if you are mailing your check to the bank.



Use the special endorsement only when you are signing your check over to another person. These types of endorsements are seldom used. Many places will not accept the signing over of a check to another person (sometimes known as “third party” checks).

Never endorse a check before you are ready to cash it.

The Check Below Is Filled Out Properly

JESSE SMITH 101 MAIN STREET CAMFORD, MA 00031	425 5-595-110
Pay to the Order of David's Department	Order 22nd 20 05
Twenty One and	49 / 100 Dollars
BOSTON BANK Boston, Massachusetts	
Memo Curtains	Jesse Smith
0:110011897: 1 2090 : 2323 : 1431	

Banking Skills



ACTIVITY

Practice your banking skills by completing the following exercises with the blank check and deposit slips provided.

1. On May 4th of this year, you received a statement from the Boston Bank showing that you have \$116.42 in your checking account. Enter this in the register in the box marked “Balance “ on page 79.

2. On May 6th, you went to Honest Auto Repair to pick up your car. The mechanic charged \$45.00 to fix the fender, and you paid the shop with check #101. Write out the check, enter it in your register, and calculate the new balance.
3. On May 7th, you bought \$26.15 in groceries. You paid the Thrifty-Mart Grocery Store with check #102. After you write the check, enter it in the register and calculate the new balance.
4. On May 12th, you received a telephone bill for \$29.68. You pay it with check #103. Write out the check, enter it in your register, and calculate the new balance.
5. On May 15th, you received your paycheck of \$126.33. You put \$30.00 in savings and \$96.33 in checking. Fill out the deposit slips for both accounts. Enter the checking account deposit in the register and find the new balance. (Most check registers have a place to record your savings deposits at the very back of the register. Be sure not to mix up checking account and saving account deposits.)
6. On May 18th, you bought some new clothing from Her/Sir Fashions for \$36.17. You paid with check #104. Write the check, enter it into the register, and find the new balance.
7. On May 22nd, you bought more groceries from Thrifty Mart for \$52.76. You paid with check #105. Write the check and enter it into the register, then find the new balance.
8. On May 25th, you received a \$20.00 check for your birthday from your Aunt Esther. Fill out a deposit slip for your checking account, enter it in the register, and find the new balance.
9. On May 30th, you wrote a check for #106 for \$15.00 cash for the Memorial Day Weekend. Write the check and enter it into the register and find the new balance.

HERE ARE SOME BLANK CHECKS FOR USE WITH THE ACTIVITY.

Your Name	101
Your Street Address	5-595-110
Your Town, MA, Zip Code	_____ 20 _____
Pay to the Order of _____	\$
_____	Dollars
BOSTON BANK Boston, Massachusetts	
Memo _____	_____
0:110011897: 1 2090 : 2323 : 1431	

Your Name	102
Your Street Address	5-595-110
Your Town, MA, Zip Code	_____ 20 _____
Pay to the Order of _____	\$ <input type="text"/>
_____	Dollars
BOSTON BANK Boston, Massachusetts	
Memo _____	
0:110011897: 1 2090 : 2323 : 1431	

Your Name	103
Your Street Address	5-595-110
Your Town, MA, Zip Code	_____ 20 _____
Pay to the Order of _____	\$ <input type="text"/>
_____	Dollars
BOSTON BANK Boston, Massachusetts	
Memo _____	
0:110011897: 1 2090 : 2323 : 1431	

USE THESE DEPOSIT SLIPS WITH THE ACTIVITY.

CHECKING ACCOUNG DEPOSIT			
Your Name	5-110-595		
Your Street Address			
Your Town, MA, Zip Code	_____ 20 _____		
BOSTON BANK Boston, Massachusetts			
50211 : 9099” 00”:98976			
		Dollars	Cents
Cash Total			
List Checks	Check #		
TOTAL			

Be Sure Each Item Is Properly Endorsed.

CHECKING ACCOUNG DEPOSIT			Dollars	Cents
Your Name	5-110-595			
Your Street Address				
Your Town, MA, Zip Code				
_____ 20_____				
BOSTON BANK Boston, Massachusetts				
50211 : 9099” 00”:98976				
		Cash Total		
		List Checks	Check #	
		TOTAL		

Be Sure Each Item Is Properly Endorsed.

SAVINGS ACCOUNG DEPOSIT			Dollars	Cents
Your Name	5-110-765			
Your Street Address				
Your Town, MA, Zip Code				
_____ 20_____				
BOSTON BANK Boston, Massachusetts				
20211 : 9019” 00”:98576				
		Cash Total		
		List Checks	Check #	
		SUBTOTAL		
		Less Cash Back		
		TOTAL		

Signature_____

USE THIS REGISTER TO RECORD THE CHECKS WRITTEN AND DEPOSITS MADE IN THE CHECKING ACTIVITY.

CHECK REGISTER

RECORD ALL CREDITS & CHARGES THAT AFFECT YOUR ACCOUNT

Check Number	Date	Description of Transaction	Payments/ Debits (-)	Fees (-)	Deposits (+)	Balance

REMEMBER TO RECORD ALL X-PRESS 24 & ATM TRANSACTIONS

You will find your checking account statement from the Boston Bank below. It covers your transactions (all deposits and checks cashed) for the month of May, the same transactions listed in the previous activity. Notice that one check did not reach the bank before the statement was printed. Notice also that you have been charged a service charge for using the bank’s services.

Boston Bank								
PO Box 333								
Boston, MA 01234								
PERSONAL CHECKING ACCOUNT			ACCT # 0034-7654					
Statement Period: May 1- 30, 2005			Your Name					
			Street Address					
Tax ID# 033-34-6676			Town, MA Zip Code					
DATE OF POSTING			TRANSACTION		AMMOUNT		BALANCES	
							Checking Loan	
1-May			Previous Balance				116.42	
5-May			Check Paid #101		45.00		71.42	
7-May			Check Paid #102		26.15		45.27	
12-May			Check Paid #103		29.68		15.59	
15-May			Checking Deposit		96.33		111.92	
18-May			Check Paid #104		36.17		75.75	
22-May			Check Paid #105		52.76		22.99	
25-May			Checking Deposit		20.00		42.99	
29-May			Service Chage		5.00		37.99	
30-May			NEW BALANCE				37.99	

CHECK SERIAL RECAP

DATE	SERIAL	AMOUNT	DATE	SERIAL	AMOUNT	DATE	SERIAL	AMOUNT
6-May	101	45.00	7-May	102	26.15	12-May	103	29.68
18-May	104	36.17	18-May	105	52.76			

CHECKING ACTIVITY:	CHECKS 5	DEPOSITS 2	DEPOSITED 2 Items
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Balancing Your Checkbook

You will know that your checkbook register is “balanced,” or correct, by comparing the balance in your register to the “New Balance” shown on the bank’s statement. To balance your checkbook, complete the following steps.

First you must obtain your new checkbook balance:

1. Enter the balance from your register on Line A. **A.** _____
2. Enter the amount of any service charge on Line B. **B.** _____
3. Subtract Line B from Line A. **C.** _____

This is your new checkbook balance.

Now you need to obtain the current bank balance.

Compare the check numbers and amounts on the statement with the checks listed on your register. Below, write down any checks written during the statement period and listed in your register but not in the bank’s statement.

Check Number	Amount
_____	_____
_____	_____
_____	_____
	Total: \$ _____

2. Write down the new balance from the statement on Line D. **D.** _____
3. Enter any deposits shown in the register but not in statement on Line E. **E.** _____
4. Add Lines D and E; enter this subtotal on Line F. **F.** _____
5. Enter total amount of checks not shown in statement on Line G. (Total from Step 1 above). **G.** _____
6. Subtract Line G from Line F. Place result on line H. **H.** _____

Line H should agree with your checkbook balance (Line C). If it doesn't, examine it carefully to see that you have correctly added and subtracted all the deposits and checks for the month. Also, make sure you have listed, in your register, all of the transactions (deposits and checks) you've made.

Is a Checking Account Right For You?

Before you decide to open a checking account, you need to evaluate whether or not it is right for you.



ACTIVITY

List all the advantages and disadvantages of having a checking account at this time.

Advantages	Disadvantages

While checking accounts will give you the opportunity to conveniently store your money and pay your bills, they also bear certain risks, particularly for individuals who have difficulty managing money or balancing a checkbook.

Consider the following:

Steven opened a checking account three weeks ago. Although he tries to keep track of his spending and deposits, he is getting confused because he does not take the time to record his transactions properly. Today, Steve gets a notice from his bank in the mail which states that three of his checks have bounced.

What consequences could the bounced checks have for Steven?

What should he do?

Writing “bad checks” can have serious legal consequences!

Sometimes checking accounts can be tempting, particularly if you don’t have your spending habits under control.

Consider the following:

Amy opened a checking account one month ago and has always kept track of her spending and deposits. Today, Amy sees a really nice dress on sale for \$39.99, the only one left in her size. When Amy checks her check register, she discovers that she only has \$21.00 in her account and she won’t get paid for another 4 days. She debates whether or not to get the dress anyway, thinking that she could probably get \$18.99 somehow and deposit it before the check clears. What do you think? What would you do in Amy’s situation?

Can you think of any difficulties you might have with managing a checking account? If so, describe them below.

Can you think of strategies which would help you to handle a checking account responsibly?
List them below.

My Strategies Are:



Remember, if you think that you're not ready for a checking account, you can always pay your bills with money orders. (For more information, refer to the "Money Orders" section in this module.)



ACTIVITY

If appropriate, open a checking account at a bank of your choice.

AUTOMATED TELLER MACHINES (ATMs)

Although ATMs are very popular, convenient, and easy-to-use to both deposit and withdraw money in either checking or saving accounts, they also bear certain risks for those of you who might have difficulty managing money. Because ATM machines allow you access to your money at all times, there may be a greater temptation to spend money in a way you hadn't planned.

Some ATM machines, if they are not affiliated with your bank, will not provide you with your account balance. This makes it difficult to keep track of your money, especially if you forget to record the ATM transaction in your checkbook register. Similarly, many grocery stores now offer customers the opportunity to pay for purchases with their ATM cards, again without giving a balance.

With this in mind, evaluate the advantages and disadvantages an ATM card would have for you.

Advantages	Disadvantages

Would you get an ATM card? Explain your decision.

If you have decided that you will use Automated Teller Machines, here are a few helpful hints you should keep in mind.

- Choose your secret password very carefully. Don't use your name, initials, phone number, or birth date.
- Never write your password on your ATM card. If you lose the card, anyone who finds it would be able to withdraw your money.
- Don't announce your password to others. Remember, once you tell a secret to someone, it's not a secret anymore.
- Remember to take your receipt after each transaction, even when you're in a hurry. You'll need the receipt to help you balance your monthly statement and, if you have any questions about your transaction, you'll need the receipt to speak to the bank personnel.
- Be sure to enter all your transactions (deposits or withdrawals) in your checkbook/savings register so that you'll always know what your balance is.
- Don't forget your ATM card at the machine after you've finished your transaction!

MONEY ORDERS

Money orders can be purchased for a fee ranging from \$.75 to \$2.00 at any bank or post office and in many convenient stores. Money orders can be used to pay bills (rent, utilities, etc.) in the same manner as a personal check. The amount of the bill is paid in cash to the teller or salesperson, who then issues the money order in the same amount. The order needs to be signed and dated, and information about the agency you are paying needs to be filled out in the appropriate spaces. After completing your money order, make sure to detach your receipt at the bottom and keep it in a safe place. This is your proof of purchase. If the person/company you were paying states that they never received it, you will have the receipt with its identification number to offer as proof of payment.

SAMPLE:

MONEY ORDER		789-0154-6249
First Federal Bank Boston, MA		VOID IF OVER \$1000
Forty Three dollars and Twenty Five cents		\$ 0043.25
Pay To: _____		
Company Name		/ Address
Signature: _____		Date _____
KEEP THE YELLOW COPY FOR YOUR RECORDS		

Independent Living Money Management – Checking, Savings and Banking Skills