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Checking Accounts

By Cindy Grigg

Did you ever wonder how checking accounts work? Some kids think that their parents can "just write a check" to pay for anything they want. But people can't just write an unlimited amount of checks. They must have money in the bank for at least the amount of the checks they write.

Checks are a way to spend money without using cash. A check is a promise to pay a person or a business. When you pay someone with a check, the exact amount of money you write on the check will be taken out of your account. The money will be paid to the payee—the person or business whose name you write on the check.

With a checking account, your money remains in a safe place, and it is easy to get when you need it. A checking account also helps you keep track of the money you spend and of how much you have left.

People use checks more often than cash. It's easier to carry a checkbook than a lot of cash. It's safer, too. It is much safer to send a check through the mail than to send cash.



A check is only supposed to be cashed by the person or business whose name is written on it.

Checking accounts are different from savings accounts. A regular checking account usually does not pay interest, as a savings account does. But some checking accounts may pay interest if you keep a minimum balance in the account. Banks may also have checking account fees. For example, they may charge for printing checks, for each check written, or for checks that are returned because the account didn't have enough money to cover them (bounced checks).

Many checking accounts also offer a debit card. A debit card is a plastic card that looks like a credit card. But debit cards work like checks. When you pay for something with a debit card, the money is subtracted right away from your checking account just as if you had written a check.

When you open a checking account, the bank will give you some temporary checks to use until your ordered checks come in. You will need to order personalized checks that are printed with your name and bank account number. Banks charge your account for the cost of the checks.

Along with the checks, you will receive a check register for your account. The register is a small notebook where you keep track of withdrawals (checks or debit card payments), deposits, and the balance in your account. An account balance is just how much money you have in your account. Always record the amount of every deposit you make, every check you write, and every debit transaction in the register. Then be sure to calculate the amount of money that remains in your account.

You will also need to deduct any fees the bank charges your account. These fees could include a charge for the checks you ordered, service fees, and overdraft fees if you bounce a check. If you write a check and there isn't enough money in your account to cover it, we say that the check "bounced." Your account is "overdrawn." Banks may charge as much as \$35 for each bounced check. If you have very many bounced checks, you could be sent to jail. This is why you need to be careful listing every transaction in your check register and make sure you have enough money to write another check.

Once each month, your bank will send you a statement. The statement shows all the transactions on your account in the past month. It will list each deposit, check, and debit transaction. Some banks return your cancelled checks to you. Some may only send a copy of the checks. You need to balance your checkbook each month when you receive your bank statement.

When you balance your checkbook, mark each transaction off in your checkbook register. Subtract any service

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charges and add any interest payments that were added or subtracted from your account. Take in to account any checks you have written that have not yet appeared on the bank statement. Mark each deposit, and make sure you received credit for each one. Your checkbook should say the same amount that the bank statement says is in your account.

Many banks offer online banking. You'll need a user ID and a password. Then you can access your account information online from the bank's website. This information is available to you anytime.

Checks are everywhere. They can be a very useful way to pay your bills and to purchase goods or services. Debit cards work like checks but are even easier to use. You must keep track of your bank balance by keeping accurate records in your check register. If you do, you can avoid extra fees and save yourself money, trouble, and time.

Checking Accounts

Questions

_____ 1. Whenever you want to buy something, you can just write a check.

- A. true
- B. false

2. Before you write a check, what should you always make sure of?

_____ 3. Who is the payee?

- A. the person who signs the check
- B. the person who takes the check at the bank
- C. the person or business the check is made out to

_____ 4. If you don't have enough money in your account right now but you know you will make a deposit tomorrow, it is okay to use your debit card to buy something.

- A. false
- B. true

_____ 5. Debit cards work like:

- A. credit cards
- B. check registers
- C. checks
- D. deposit slips

_____ 6. If you don't have enough money in your account to cover a check, the check will:

- A. be okay anyway
- B. catch on fire
- C. bounce

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- _____ 7. Each month when you receive your bank statement, what should you do?
 - A. File it for your records.
 - B. Save it for tax time.
 - C. Balance your account.
 - D. Throw it in the trash.

- _____ 8. If you don't write down all your checks and debit card transactions, what might happen?
 - A. The bank will charge you overdraft fees.
 - B. Your account is overdrawn.
 - C. You could go to jail.
 - D. all of the above

What are some of the advantages of using checks to pay bills?

What do you need to list in your check register? Write a paragraph explaining what to do.
