# Know Your CHEQUING ACCOUNT

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# Understanding OVERDRAFT

An overdraft occurs when you spend more money than you have available in your chequing account, resulting in a negative balance

Most financial institutions offer overdraft protection, but relying on this service without fully understanding how it works can create a cycle of overdraft and NSF (non-sufficient funds) fees that's hard to break out of

### **OVERDRAFT SCENARIOS**



ACCOUNT BALANCE IGNORANCE

Not keeping track of your account totals



**HOLD ON** 

Making purchases that place holds on your account



PROCESSING LIMITATIONS

Spending money before a paycheque has cleared

### OPTING IN TO OVERDRAFT PROTECTION



**OPTING IN** 

Let's say that you're buying a brand-new gadget at the store. Your last paycheque hasn't cleared, so you're unaware that your current available balance is only \$150. The gadget costs \$160. You pull out your debit card and...





## WITH OVERDRAFT PROTECTION

The transaction goes through

## WITHOUT OVERDRAFT PROTECTION

Your card gets declined and the transaction does not go through

### WITH OVERDRAFT PROTECTION

Depending on how your financial institution handles overdraft situations:

Funds are transferred from your savings account to cover the transaction

OR

Your account then becomes overdrawn, resulting in a negative balance



### **BENEFIT**

You avoid the inconvenient situation of having your card declined





### **BENEFIT**

You avoid a negative balance and any potential NSF (non-sufficient funds) fees that go along with it





### **CONSIDERATIONS**

You may be charged an overdraft fee

You may be charged an NSF (non-sufficient funds)
fee for having a
negative balance

You may also be charged a recurring fee until your balance is positive

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If you frequently overdraw your account, you may be able to pay a monthly fee to reduce your total fee costs



#### **CONSIDERATIONS**

Having your card declined can be inconvenient and embarrassing

In emergency situations, it can be extremely troubling

#### **DID YOU KNOW?**

In Canada, overdraft protection is covered under negative option billing regulations—it cannot be added without your consent

### HOW TO STAY AHEAD OF THE FEES



#### **SET UP ALERTS**

Most financial institutions will allow you to set up alerts that will inform you of your balance



#### **BORROW BETTER**

To protect yourself from the high costs of fees, consider taking out a credit card with a low interest rate for emergencies



## BALANCE YOUR CHEQUEBOOK

This will give you a firm knowledge of how much money is in your chequing account

# Balance Your CHEQUEBOOK

### BALANCE YOUR CHEQUEBOOK

#### WHAT YOU'LL NEED



Your most recent statement and/or cancelled cheques



A chequebook balancing form



Your chequebook register



A calculator and a pencil



# RECONCILE YOUR CHEQUES

Determine if there are cheques that haven't cleared your account



# RECONCILE YOUR DEPOSITS

Make sure each deposit shown on your statement is recorded in your chequebook register



# RECONCILE YOUR ATM WITHDRAWALS AND DEBIT CARD PURCHASES

Go through the same process with your ATM withdrawals and debit card purchases



# RECORD INTEREST EARNED AND FEES

Check your statement for any other fees and record them in your chequebook register

#### CHEQUEBOOK BALANCING FORM

Outstandin (not included on	g Deposits your statement)	Outstanding Chequatement)  Outstanding Chequatement	
Date	Amount	Check Number	Amount
Total		Total	

1. Ending balance from your bank statement	\$
2. Add total outstanding deposits	+
3. Subtract total outstanding cheques	-
Ending balance (should equal your chequebook balance after you record interest and fees in your chequebook register)	=

# LIST OUTSTANDING DEPOSITS

Go through your chequebook register and in column one of the chequebook balancing form, list any outstanding deposits

#### **CHEQUEBOOK BALANCING FORM**

Outstandin (not included on	g Deposits your statement)	Outstanding Cheques (not included on your statement)	
Date	Amount	Check Number	Amount
Total		Total	

1. Ending balance from your bank statement	\$
2. Add total outstanding deposits	+
3. Subtract total outstanding cheques	-
Ending balance (should equal your chequebook balance after you record interest and fees in your chequebook register)	=

# LIST OUTSTANDING CHECKS

In column two of the balancing form, list your outstanding cheques, as well as any outstanding debit purchases or ATM withdrawals

#### **CHEQUEBOOK BALANCING FORM**

Outstanding Deposits (not included on your statement)		Outstanding Cheques (not included on your statement)		
Date	Amount	Check Number	Amount	
Total		Total		

1. Ending balance from your bank statement	\$
2. Add total outstanding deposits	+
3. Subtract total outstanding cheques	-
Ending balance (should equal your chequebook balance after you record interest and fees in your chequebook register)	=

# RECORD YOUR ENDING BALANCE

On line 1 of the bottom section of the chequebook balancing form, enter the ending balance shown on your statement

### CHEQUEBOOK BALANCING FORM

Outstandin (not included on		Outstanding Cheques (not included on your statement)	
Date	Amount	Check Number	Amount
Total		Total	
1. Ending balance	e from your bank sta	atement	\$
2. Add total outs	anding deposits		+
3. Subtract total	outstanding cheque	25	-
	e (should equal your ou record interest a egister)		=

## ENTER OUTSTANDING DEPOSITS

On line 2 of the bottom section of the chequebook balancing form, enter the total outstanding deposits from column one

#### CHEQUEBOOK BALANCING FORM

		g Deposits your statement)	Outstanding Cheques (not included on your statement)	
	Date	Amount	Check Number	Amount
	Total		Total	
1. E	nding balance	e from your bank sta	tement	\$
2. Add total outstanding deposits		+		
3. S	3. Subtract total outstanding cheques		-	
b		e (should equal your you record interest a egister)		=

# ENTER OUTSTANDING CHEQUES

On line 3 of the bottom section of the chequebook balancing form, enter the total outstanding cheques from column two

#### CHEQUEBOOK BALANCING FORM

Outstandir (not included on	ng Deposits your statement)	Out (not in
Date	Amount	Check
Total		To

Outstanding Cheques (not included on your statement)			
Check Number	Amount		
Total			

Ending balance from your bank statement	\$
2. Add total outstanding deposits	+
3. Subtract total outstanding cheques	-
Ending balance (should equal your chequebook balance after you record interest and fees in your chequebook register)	=

# CALCULATE YOUR BALANCE

Use a calculator to total lines 1 through 3, as indicated by the plus and minus signs on the form, and enter the new total on line 4

#### CHEQUEBOOK BALANCING FORM

Outstanding Deposits (not included on your statement)			
Date	Amount		С
Total			

Outstanding Cheques (not included on your statement)		
Check Number	Amount	
Total		

1. Ending balance from your bank statement	\$
2. Add total outstanding deposits	+
3. Subtract total outstanding cheques	-
Ending balance (should equal your chequebook balance after you record interest and fees in your chequebook register)	=

# CALCULATE YOUR BALANCE

Your new total should equal the balance shown in your chequebook register; if it doesn't, figure out what's at cause—sometimes it's an entry error or a slip-up in your math, but it could be an error by your financial institution

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**Sources:** CreditCards.com, Financial Post, Forbes

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