

Checking Out Checking Accounts

Financial institutions offer many kinds of services. Perhaps the most widely used financial service is the checking account. A checking account allows you to deposit money into an account. You then can write checks or drafts to withdraw money from the account as you wish. This type of account is also called a demand account because you can demand or use the money in your account as you wish.

Only the depositors can write checks on the account. Financial institutions usually charge a fee or require a minimum balance to maintain a checking account.

The checklist that follows provides an overview of steps involved in getting started with your first checking account.

Opening a checking account	<ul style="list-style-type: none"> • Take identification to the bank officer who handles new checking accounts. • Choose the type of checking account that best fits your needs. • Complete a signature card. • Make an opening deposit.
Choosing a checking account	<p>There are three main types of checking accounts:</p> <ul style="list-style-type: none"> • Special account: Service fees are charged at a low, flat rate with an additional fee for each check written. This account is often appropriate for a high school student. • Standard account: Set monthly fee with no check charge. May avoid a fee with a minimum balance. • Interest bearing account: Interest is paid if you maintain a minimum daily balance during the month.
Making a deposit	<ul style="list-style-type: none"> • Know the parts of a deposit slip. See the model in Illustration 21.1. • Write the date. • Write the amount of currency and coins to be deposited in the box marked "cash." • If checks are being deposited, write in the amount of each check. • Total the cash and check amounts. • Subtract any cash you wish to receive back. • Keep a copy of the deposit slip for your records. • Record the date and the amount of the deposit in your check register. Add the amount of the deposit to the balance.
Endorsing a check	<ul style="list-style-type: none"> • An endorsement is a signature on the back of a check instructing the bank on how the check may be cashed.

<p>Endorsing a check (<i>continued</i>)</p>	<ul style="list-style-type: none"> • A blank endorsement is simply your signature on the back of the check. This makes the check as good as cash to anybody who holds it. • A restrictive endorsement tags a check for a specific purpose, such as for deposit only to a checking or savings account. • A special endorsement allows you to transfer the check to another person. No one except the person named in the endorsement may cash or deposit the check.
<p>Writing a check</p>	<ul style="list-style-type: none"> • Know the parts of a check. See the completed check in Illustration 21.2. • Complete all the parts of the check including date, “pay to the order of” (payee), numeric amount, written amount, and signature line. If you wish, complete the memo line to indicate the purpose of the check. • Use a pen. • Write clearly. • Sign your name as it appears on the signature card. • When you make a mistake, write void on the check and keep the check for your records. • Be sure that you have enough money in your account to cover each check you write. • Record the number, date, payee, and amount of the check in your check register. Subtract the amount of the check from the balance.
<p>Reconciling your checkbook</p>	<ul style="list-style-type: none"> • Financial institutions send a monthly statement that summarizes the activity of your checking account including deposits, checks written, service charges, and any interest earned. • Compare your checkbook register to the monthly statement. Check off deposits and withdrawals. Record in the register any service charges or interest earned listed on the bank statement but not in the register. • Use the printed form sent by the financial institution with your statement to reconcile your checking account. • Write the ending balance as shown from the statement. • Add deposits to the ending balance that are listed in the register but not on the statement. • Subtract withdrawals listed in the register but not on the statement. • Note the adjusted balance; it should equal the checkbook register. • If the account does not balance, research possible explanations such as having missed checks that did not clear the account, fees charged, interest paid, calculation errors, or transposed numbers.
<p>ATMs and debit cards</p>	<ul style="list-style-type: none"> • Automated teller machines (ATMs) allow you to conveniently deposit, withdraw, or transfer funds, and verify your account balance. • ATMs use a PIN (personal identification number) to allow you to do a transaction. • A debit card is issued by many financial institutions. • A debit card allows you to have the amount of a purchase withdrawn directly and immediately from your checking account. • Be sure to keep receipts when you use your debit card, and record the transactions in your check register, including any additional changes.

Questions

1. What is a checking account?

2. Why do you suppose the signature card is important when you open a checking account?

3. What kind of a checking account is appropriate for most high school students?

4. What is a blank check endorsement for a check?

5. When should you void a check?

6. What is a debit card?

