

Share Draft/Checking Account Basics

Goals

By the end of this session, students will be able to explain and understand:

- How and why checks are used
- What factors to compare when shopping for an account
- How to write and deposit a check
- How to use a check register
- How to balance a checkbook
- What to do if checks are lost or stolen
- The types and uses of debit cards

Resources

- *Share Draft/Checking Account Basics* fact sheet
- *Share Draft/Checking Account Basics* review
- Classroom exercise worksheets

Classroom Exercises

- *Comparing Checking Accounts* teaches students the value of comparing accounts at different financial institutions.
- *Managing Your Checkbook* teaches students how to write checks, how to use the check register, and how to complete deposit slips.
- *Balancing Your Checkbook* teaches students how to use a checkbook register and member statement to balance a checkbook.

Additional Suggested Classroom Activities

1. Survey local business for their returned check fees.
2. Suggest students help their parent(s) balance the family checkbook, or discuss with parent(s) how and when it's done.
3. Invite a speaker from a local credit union (or other financial institution) to discuss share draft/checking accounts, automated teller machine (ATM) cards, and other debit cards, and any related fees and fines.

Share Draft/Checking Account Basics

A check is a written order that represents cash. Credit union checking accounts are called share draft accounts. Share drafts, like checks, are accepted almost everywhere.

Choosing Your Account

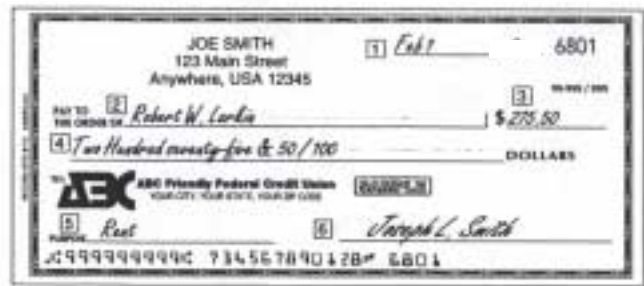
When you're shopping for an account, compare the following:

Fees and fines: Service charges are usually based on the number of checks you write a month, your minimum balance, and the type and size of other accounts you have with the financial institution. You might be charged a fee each time you write a check, use an automated teller machine (ATM), or overdraw your account.

Interest: Some checking accounts pay interest if you keep a minimum balance in your account. Generally, the higher the balance in your checking account, the more interest you'll earn and the fewer service fees you'll pay.

Minimum balances: Many accounts require you to keep a minimum amount of money in your account to avoid service fees.

Unlike most checking accounts available elsewhere, many credit union share draft/checking accounts pay you interest on the money you keep in your account. Plus surveys show that service fees, fines, and minimum balance requirements are generally lower than elsewhere.



Writing a Check

Checks and share drafts come in different designs and colors, but the basic features are the same and so are the "how-tos" of writing a check.

- 1. Write in the correct date and year.** You can write the month in words, numbers, or abbreviations. Even if you put a later date on a check (post-date), it can be deposited for payment right away.
- 2. Write in the name of the person (or business) the check is being made to.** Write plainly and accurately. Draw a line after the name to prevent someone from adding other names.
- 3. Carefully write the amount of the check in numbers.** Make sure the figures are as close to the dollar sign as possible. This makes it hard to change the amount by inserting a number. For example, changing \$25.00 to \$125.00.
- 4. Write the dollar amount in words starting at the extreme left.** This makes it more difficult to alter the amount of the check. Draw a line through any remaining space.
- 5. Fill in the "Purpose" line** so you'll have a record of why you wrote the check.
- 6. Sign your name legibly in pen and always sign the same way.** When you open your account, you'll be asked to sign a signature card. Choose a form of your name to use only when you sign checks or other important papers. For example, "Joe Smith" may reserve "Joseph L. Smith" for his check signature. Write your signature without leaving an impression of it on other checks in the book.

Making a Deposit

Before you cash or deposit a check you have to endorse it. To endorse a check, sign your name as close to the top of the back left side as possible. Many checks have a preprinted endorsement line indicating where to sign. Sign your name exactly as it appears on the front. If your name is misspelled, first endorse it the same way, then sign your name correctly underneath.

If you're going to deposit the entire amount, write "For deposit only" above your endorsement. This will stop another person from cashing your check after you've signed it. If you want to sign the check over to another person, for example, Jack Jonas, write "Pay to the order of Jack Jonas" and then sign your name underneath. Jack will have to sign his name under yours before he can deposit or cash the check.

Managing Your Checkbook

Your checks come with a check register for you to record all transactions. Write in the amount of each check or deposit immediately and add or subtract it. Don't forget automated teller transactions and fees.

Keep Things in Balance

Once a month you'll receive an account statement from your financial institution. The statement will list your account balance at the beginning and end of the month; any deposits, transfers, or withdrawals you've made; checks that have been cashed; and any fees or penalties. You have to compare this statement against your check register. If your balance doesn't match theirs after you've balanced your checkbook, double-check your math and make sure you've correctly recorded all checks, fees, deposits, withdrawals, and ATM transactions. Notify your financial institution if the error doesn't seem to be yours.

When you open a share draft/checking account, ask your parents or someone from the financial institution to teach you how to balance your account.

What if Your Checks Are Lost or Stolen?

If your checks are lost or stolen, report it to your financial institution immediately. A warning will be placed on your account and your checks will be examined to see if someone is trying to forge your name to get your money. If you think your checks have been stolen, also notify the police.

How Can I Be Overdrawn When I Still Have Checks Left?

If you write a check for more money than you have in your account, that's an overdraft. Depending on your account, two things can happen. Your financial institution may:

- Pay the check and notify you that you owe them money, plus an overdraft fee.
- Return the unpaid check to the person or business it was written to. This is called "bouncing" a check. If the check is bounced, you'll most likely have to pay a NSF (not sufficient funds) fee to both the financial institution and the business to which it was written.

Some credit unions and other financial institutions offer an overdraft protection service, but there may be a fee for this service. One option automatically transfers money from your savings account to your checking account if you're overdrawn. But watch out: Because it's so convenient, you might find yourself "accidentally" spending your savings. Another option is an "overdraft line of credit" that automatically loans you money to cover overdrafts. The catch: You have to repay the money with interest.

Share Draft/Checking Tips

- Treat checks the same as cash and keep them in a safe place.
- Don't take a check that appears to be altered and don't make any changes on checks written to you.
- Don't make out a check to "Cash" or "Bearer." This allows anyone to cash it. Instead, write in the name of the financial institution or business where you're cashing it.
- Destroy any blank checks and deposit slips you won't use.
- Don't sign a check until you've filled in the amount and the name of the person or business you're paying. If a signed, blank check is lost or stolen, anyone can fill in a name and amount and cash it.
- Don't let merchants write your credit card number on your check. Several states have laws prohibiting this practice because it encourages credit card fraud.
- Don't be offended if tellers don't remember you and ask you for identification, or if they ask that you sign a check in their presence. This is a security measure that protects your money.
- Save all your checking receipts and statements in a file folder or box. You need to keep them for five to seven years for income tax purposes.

Electronic Money

Here's a rundown of some of the electronic ways to access your money:

Automated teller machines: ATMs allow you to get cash, transfer money, or make deposits from almost anywhere, anytime. ATM cards are often available when you open a checking or

savings account. To use an ATM card, you usually have to maintain a minimum balance and you may have to pay a fee each time you use your card.

When you get your plastic ATM card, you'll be given a special personal identification number (PIN) that allows you to work the ATM.

Point-of-sale debit cards function like plastic checks. Some gas stations, grocery, and other stores have terminals that let you pay with a debit card. The debit card may be your ATM card, or it can be a special card issued by the retailer. When you're ready to pay, you slide the card through a machine and punch in your PIN. The money is instantly transferred from your account to the store's account.

MasterCard or Visa debit cards may look like credit cards, but they're not. Used instead of checks, these debit cards are accepted wherever credit cards are. You present your "check card" and sign a sales slip for the amount of your purchase. Within a few days, the money is deducted directly from your checking account. You can also use these cards, which may carry fees, as an ATM card.

Keep Your Money Safe

- If you choose your PIN, make it a random number, not a predictable one such as your birthday or address.
- Memorize your PIN. Don't share it with anyone else or write it on the card. Leave the number at home. If you lose the card, contact your financial institution immediately; they'll issue you a new card and PIN.
- Don't let others see you punch your PIN into the machine. Avoid withdrawing cash at night, or use well-lit or drive-up ATMS.
- Limit the amount you withdraw each month and save your ATM receipts. To avoid overdrafts, enter all transactions and fees in your check book.

Share Draft/Checking Accounts: A Review of the Basics

1. List two things to compare when choosing a share draft/checking account.
 - 1)
 - 2)
2. List three ways to protect your checking account.
 - 1)
 - 2)
 - 3)
3. Explain what can happen when someone “bounces” a check.
4. Describe the correct way to endorse a check.
5. Describe one way to electronically access your checking account.
6. True or False: Writing a later date on a check prevents it from being cashed until then.

Share Draft/Checking Accounts:

A Review of the Basics

Answer Sheet

1. Answers may include fees and fines, interest paid on your account balance, and minimum balance requirements.
2. Answers may include such things as: keeping checks in a safe place; not accepting altered checks; not making checks out to "Cash"; destroying any blank check you won't be using; not signing the check until it's completely filled in; not letting merchants write your credit card number on your check.
3. Bouncing a check occurs when someone writes a check for more money than they have in their account, and the financial institution returns the unpaid check to the business or person it was written to. If a check bounces, NSF fees are charged by both the financial institution and the business.
4. To endorse a check, sign your name as close to the top of the back left side as possible, or on or above the preprinted endorsement line.
5. Answers may include:
 - **Automated teller machines (ATMs)** allow you to get cash, transfer money, or make deposits by using your ATM card along with a PIN.
 - **Point-of-sale debit cards** are used at special terminals at the checkout counter of some stores. To pay, you slide your debit card through the ATM machine and punch in your PIN. The money is instantly transferred from your account to the store's.
 - **MasterCard or Visa debit cards** are accepted wherever credit cards are. You present your card, sign a sales slip for the amount of purchase, and within a few days the money is deducted directly from your checking account.
6. False. Even if you post-date a check, it can be deposited for payment right away.

Comparing Checking Accounts: Exercise Instructions

1. Collect applications, brochures, and advertisements about share draft/checking accounts offered by three different financial institutions, including a local credit union.
2. Photocopy the *Comparing Checking Accounts: Student Worksheet* on the reverse side and any related materials you've collected to distribute to students.
3. Make an overhead transparency of the worksheet so students can follow along visually during your discussion, or write the worksheet on a blackboard or flip chart.
4. After some discussion of the topic, give students a specific amount of time to complete the exercise, either individually or in teams.
5. Ask for volunteers to share their answers and discuss each one as a class.
6. Record the correct answers on the overhead transparency, blackboard, or flip chart.
7. Distribute the *Share Draft/Checking Account Basics* fact sheet at the end of your presentation.

Comparing Checking Accounts: Student Worksheet

Review the information distributed about similar deposit accounts available from different financial institutions and complete the following comparison chart:

Name of Financial Institution			
Monthly Fee/Service Charges			
Minimum Balance Required to Waive Monthly Fee			
Overdraft Fees			
Stop Payment Fees			
ATM Card Available?			
ATM Fees			
Direct Deposit Available?			
Cost of Printing Checks			
Other Fees/Charges			

Managing Your Checkbook:

Exercise Instructions

1. Photocopy the *Managing Your Checkbook: Student Instructions*, the *Sample Deposit Slips*, the *Sample Checks*, and the *Sample Checkbook Register* sheets for each student.
2. Following the worksheet instructions, complete copies of each sheet and make overhead transparencies, or draw completed samples of the sheets on a blackboard or flip chart.
3. After a discussion of share draft/checking account how-tos, distribute the worksheets to students, giving them a specific amount of time to complete the exercise. Remind students to follow the date sequence when filling in the check register.
4. Discuss the exercise as a class.
5. Use your transparency, blackboard, or flip chart samples to illustrate the correct way to complete the checks, deposit slips, and the checkbook register. (See reverse side.)
6. Distribute the *Share Draft/Checking Account Basics* fact sheet at the end of your presentation.

Managing Your Checkbook: Completed Samples

Sample Checks

Sept. 1 6801

PAY TO THE ORDER OF ATHLETIC SHOE CO. \$55.63

FIFTY-FIVE & 63/100 DOLLARS

ABC Friendly Federal Credit Union

Running Shoes Student's Signature

JC999999999C 734567890128# 6801

Sept. 6 6802

PAY TO THE ORDER OF FOOD MART \$22.36

TWENTY-TWO & 36/100 DOLLARS

ABC Friendly Federal Credit Union

Groceries Student's Signature

JC999999999C 734567890128# 6801

Sept. 10 6803

PAY TO THE ORDER OF FEDERAL CREDIT UNION \$25.00

TWENTY-FIVE & 00/100 DOLLARS

ABC Friendly Federal Credit Union

Cash Student's Signature

JC999999999C 734567890128# 6801

Samples Deposit Slips Worksheet

DEPOSIT TICKET

DATE Sept. 4

Student's Signature

YOUR CREDIT UNION

CURRENCY	
COIN	
TOTAL	204.42
TOTAL FROM DEPOSITORS	
TOTAL	204.42
LESS CASH RECEIVED	50.00
TOTAL	154.42

DEPOSIT TICKET

DATE Sept. 18

YOUR CREDIT UNION

CURRENCY	20.00
COIN	
TOTAL	204.42
TOTAL FROM DEPOSITORS	20.00
TOTAL	224.42
LESS CASH RECEIVED	
TOTAL	224.42

Sample Checkbook Register Worksheet

PLEASE BE SURE TO DEDUCT CHARGES THAT AFFECT YOUR ACCOUNT

YEAR/MO OF THIS CHECK	DATE	TRANSACTION DESCRIPTION	DEBITATIONS AMOUNT OF DEBIT (OR CREDIT)	FEES (IF ANY)	AMOUNT OF DEPOSIT (OR WITHDRAWAL)	BALANCE
						500.00
6801	9/1	Athletic Shoe Company	55.63			55.63
		Running Shoes				444.37
	9/4	work paycheck			235.00	235.00
						679.37
6802	9/6	Food Mart	22.36			22.36
		groceries				657.01
6803	9/10	Federal Credit Union	25.00			25.00
		cash				632.01
	9/17	ATM	15.00	.50		15.50
		cash				616.51
	9/18	work paycheck			355.00	355.00
		birthday \$				971.51
6804	9/23	Phone Calls Unlimited	26.75			26.75
		phone bill				944.76
6805	9/28	Energy Plus Utility	23.00			23.00
		electric bill				921.76
	9/28	Refund check			35.50	35.50
						957.26

Managing Your Checkbook:


Student Instructions


1. Using the *Sample Checks Worksheet*, write a check for the first three transactions outlined below.
2. Using the *Sample Deposit Slips Worksheet*, complete share draft/checking account deposit slips for the first two deposits recorded below.
3. Enter all checks, deposits, and ATM transactions on the *Sample Checkbook Register Worksheet*, using a beginning balance of \$500.00. Follow the correct sequence of dates when completing this exercise.


Check Number	Date	TO	Purpose	Amount
6801	9/01	Athletic Shoe Co.	Running Shoes	\$ 55.63
6802	9/06	Food Mart	Groceries	\$ 22.36
6803	9/10	Federal Credit Union	Cash withdrawal	\$ 25.00
ATM	9/17		Cash (\$0.50 transaction fee)	\$ 15.00
6804	9/23	Phone Calls Unlimited	Phone bill	\$ 26.75
6805	9/28	Energy Plus Utility	Electric bill	\$ 23.00

Deposits	Date	Source	Amount
	9/4	Work paycheck (you request \$50 cash back)	\$285.00
	9/18	Work paycheck Birthday gifts - • check • cash \$ 45.00	\$285.00 \$ 25.00
	9/28	Refund check	\$ 35.50

Sample Checks Worksheet

		6801
		99-999 / 999
PAY TO THE ORDER OF _____	\$ _____	
		DOLLARS
TO:  ABC Friendly Federal Credit Union YOUR CITY, YOUR STATE, YOUR ZIP CODE	SAMPLE	
PURPOSE _____		
⑆999999999⑆ 734567890128⑈ 6801		

		6802
		99-999 / 999
PAY TO THE ORDER OF _____	\$ _____	
		DOLLARS
TO:  ABC Friendly Federal Credit Union YOUR CITY, YOUR STATE, YOUR ZIP CODE	SAMPLE	
PURPOSE _____		
⑆999999999⑆ 734567890128⑈ 6802		

		6803
		99-999 / 999
PAY TO THE ORDER OF _____	\$ _____	
		DOLLARS
TO:  ABC Friendly Federal Credit Union YOUR CITY, YOUR STATE, YOUR ZIP CODE	SAMPLE	
PURPOSE _____		
⑆999999999⑆ 734567890128⑈ 6803		

Samples Deposit Slips Worksheet

—| DEPOSIT TICKET |—

DATE _____
DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL.

SIGN HERE IF CASH RECEIVED FROM DEPOSIT
YOUR CREDIT UNION

	DOLLARS	CENTS
CURRENCY		
COIN		
CHECKS		
TOTAL FROM OTHER SIDE		
TOTAL		
LESS CASH RECEIVED		
TOTAL		

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IF MORE THAN 2 CHECKS
LIST ON REVERSE SIDE.

<small>TOTAL ITEMS</small>

—| DEPOSIT TICKET |—

DATE _____
DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL.

SIGN HERE IF CASH RECEIVED FROM DEPOSIT
YOUR CREDIT UNION

	DOLLARS	CENTS
CURRENCY		
COIN		
CHECKS		
TOTAL FROM OTHER SIDE		
TOTAL		
LESS CASH RECEIVED		
TOTAL		

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IF MORE THAN 2 CHECKS
LIST ON REVERSE SIDE.

<small>TOTAL ITEMS</small>

Sample Checkbook Register Worksheet

PLEASE BE SURE TO DEDUCT CHARGES THAT AFFECT YOUR ACCOUNT

ITEM NO. OR TRAN CODE	DATE	TRANSACTION DESCRIPTION	SUBTRACTIONS:			ADDITIONS:		BALANCE	
			AMOUNT OF PAYMENT OR WITHDRAWAL (+)	✓ T	✓ ALL IF ANY	AMOUNT OF DEPOSIT OR INTEREST (+)			

How to Use a Checkbook Register

Checks

For each check you write, immediately enter the following in the appropriate space in the checkbook register:

- The check number (in the "Item No. or Transaction Code" column)
- The date
- Who you wrote the check to and why (in the "Transaction Description" column)
- The check amount (in the "Subtractions" column and also in the "Balance" column)
Immediately subtract the amount from your current balance.

Deposits

For each deposit you make into your checking account, complete a checking account deposit slip and enter the following information in the checkbook register:

- The date
- The source of the money (for example, a paycheck or a gift)
- The deposit amount (in the "Additions" column and also in the "Balance" column)
Immediately add the amount to your current balance.

Other Entries

Enter all money withdrawn or deposited into your checking account including:

- Service charges
- ATM cash withdrawals and any fees
- Transfers from other accounts, for example, your savings.

Balancing Your Checkbook:

Exercise Instructions

1. Photocopy the *Balance Your Checkbook: Student Instructions*, the *Completed Sample Checkbook Register*, the *Member Statement*, and the *Checkbook Reconciliation Worksheet* for each student.
2. Make an overhead transparency or draw a sample of the *Balancing Your Checkbook: Completed Checkbook Reconciliation Worksheet* on a blackboard or flip chart.
3. Distribute the photocopied worksheets to students, giving them a specific amount of time to complete the exercise.
4. Discuss the exercise as a class, using your transparency, blackboard, or flip chart sample to illustrate the correct way to complete the *Checkbook Reconciliation Worksheet*.

Balancing Your Checkbook:

Student Instructions

1. Compare the checks and deposits listed on the *Member Statement* with the checks and deposits entered on the *Completed Sample Checkbook Register*. Put a check mark next to all entries that appear on both sides.
2. Following the instructions on the *Checkbook Reconciliation Worksheet*, list the check number and amount of any checks recorded in your check register that aren't listed on your *Sample Member Statement*. Fill in the blank lines with the ending balance shown on the *Sample Member Statement*, any deposits from your register not shown on the statement, and the total amount of outstanding checks as shown at the bottom of the left hand column. Do the math to come up with your adjusted ending balance.

Balancing Your Checkbook: Completed Checkbook Register Worksheet

PLEASE BE SURE TO DEDUCT CHARGES THAT AFFECT YOUR ACCOUNT

ITEM NO. OR TRAN CODE	DATE	TRANSACTION DESCRIPTION	SUBTRACTIONS			ADDITIONS		BALANCE
			AMOUNT OF PAYMENT OR WITHDRAWAL (1)	✓ T	✓ FEE OR ADR	AMOUNT OF DEPOSIT OR INTEREST (2)		
								500 00
6801	9/1	Athletic Shoe Company Running Shoes	55 63					55 63
								444 37
	9/4	work paycheck				235 00		235 00
								679 37
6802	9/6	Food Mart groceries	22 36					22 36
								657 01
6803	9/10	Federal Credit Union cash	25 00					25 00
								632 01
	9/17	ATM cash	15 00		.50			15 50
								616 51
	9/18	work paycheck birthday \$				355 00		355 00
								971 51
6804	9/23	Phone Calls Unlimited phone bill	26 75					26 75
								944 76
6805	9/28	Energy Plus Utility electric bill	23 00					23 00
								921 76
	9/28	Refund check				35 50		35 50
								957 26

Balancing Your Checkbook:

Member Statement

Member Statement

Your Credit Union
Anyplace USA

Page 1 of 1

JOE SMITH
123 MAIN STREET
ANYWHERE, USA 12345

Statement Closing Date
September 30, 20XX

SHARE DRAFT ACCOUNT 577

Beginning Balance on August 30, 199X	\$500.00
Deposits and other additions	+590.00
Checks paid and other subtractions	-122.88

<i>Trans. Date</i>	<i>Description</i>	<i>Debits</i>	<i>Credits</i>	<i>New Balance</i>
8/30	Beginning Balance			500.00
9/01	Share draft #6801	55.63		444.37
9/04	Check deposit		\$235.00	679.37
9/10	Share draft #6803	25.00		654.37
9/17	Automated Teller Machine	15.50		638.87
9/18	Check deposit		355.00	993.87
9/23	Share Draft #6804	26.75		967.12
9/30	Closing Date ... New Balance			967.12

