

Standard 4: The student will demonstrate the ability to balance a checkbook and reconcile financial accounts.

Tracking Your Money

Priority Academic Student Skills

Personal Financial Literacy

Objective 4.1: Explain the reasons for balancing a checkbook and reconciling an account statement.

Objective 4.2: Develop and apply banking account management skills (e.g., correctly write, endorse, and deposit checks; balance a checkbook, including debit withdrawals and fees; and reconcile and monitor checking and savings account statements).



Lesson Objectives

- ⇒ Explain the importance of reconciling a bank statement.
- ⇒ Distinguish between using a check, ATM machine, and a debit card.
- ⇒ Demonstrate the ability to balance a checkbook and reconcile a statement.

Alexis stops at the ATM on the way home from school. She and her friends are headed out to dinner and a movie that evening.

She only needs \$25, but the machine refuses to give her any money! She is so upset and wonders what could possibly be wrong with her card or with the machine.

As she drives away from the machine, she calls her Mom to explain the problem. Mom suggests she stop at the bank to see what has happened.

Alexis goes in the bank to meet with Ms. Poindexter, who tells Alexis that her account is overdrawn!

Alexis has no idea how that happened. So, Ms. Poindexter sits down to review her account.

What do you think is the problem? Was the machine wrong not to give her money?

Personal Financial Literacy Vocabulary

Automated Teller Machine (ATM): A computer terminal used to conduct business with a financial institution or purchase items such as postage stamps or transportation tickets; also known as a cash machine.

Check: A written order directing a bank or credit union to pay a person or business a specific sum of money.

Debit card: A plastic card that provides access to electronic funds transfer (EFT) from an automated teller machine (ATM) or a point-of-sale (POS) terminal.

Reconcile: The process of comparing personal bank account records to the bank's records of that account balance in order to uncover any possible discrepancies.

Introduction



Even though many people use debit cards and credit cards to make purchases, there are over 70 million checks written in the United States each year. That is almost 20,000 checks every day! Checks, debit cards, and credit cards are substitutes for cash. Credit cards are more like loans, but checks and debit card transactions come directly out of your bank account. Knowing how to maintain a bank account can help prevent embarrassing and costly mistakes.

PRESENTATION

The multimedia slide presentation for this lesson outlines the content in this section. You may want to use it with your students, or print off the slides to use as lecture notes.

Note: In this lesson, the word “bank” is used to describe all similar organizations where people have checking and savings accounts — such as banks and credit unions.

Lesson

Why do people write checks? Why are checks numbered? Why is it important to keep track of the checks they write? The same questions can be asked about debit cards, sometimes called ATM cards. Why do people choose to use the automated debit card instead of checks? What are the costs and benefits of writing checks or using debit cards?

In the box below, write down your responses to the questions above.

The answers to those questions are important because they tell something about how people behave. They also provide insight on how people manage their money.

You are probably like most other people; you write checks or use debit cards to access the money in your bank account. Checks and debit cards assist you in making purchases, paying bills, and carrying out other financial matters. Because both of these transactions are almost instant, it is very important to have the money in your account at the time you write that check or use that debit card.



A **check** is a written document ordering a bank, credit union, or other financial institution to transfer money from your account to another account.



A **debit card** is the plastic version of a check.

In olden days, people used gold or silver coins to buy goods and services. There was no paper money, and there were no banks. People carried all of their money in a leather bag attached to a belt around their waist. Just imagine how heavy that would be! What happened if you lost that bag or if someone robbed you? All of your money would be gone!

Today, people put money in banks instead of carrying cash in their pockets for many of the same reasons. It is not very safe or smart to carry too much cash. If lost or

stolen, it is impossible to replace. Placing your money in a bank account (commonly called a checking account) is much more convenient and safer than carrying cash.

Many banks offer free bank accounts for their customers, while some charge a fee for every check written or a flat monthly fee for a certain number of checks or ATM uses. Banking services are competitive, meaning different banks have different fees for different kinds of services; and those fees vary from bank to bank. As a customer, you should be familiar with the fees at your bank. If you are not satisfied with what it charges, you can ask about the other accounts it offers or talk to another bank.

Almost all bank accounts come with a debit card. While debit cards are easy to use, remembering to write down every transaction can be hard to remember. Each time you use a debit card, you receive a receipt for that transactions. Keep that receipt in a safe place until you get home; then use it to record how much you removed from your account.

Writing a Check

Your checks will usually be personalized, with your name, address and phone number. Having this information printed on your check makes others feel more comfortable about accepting it. Also, the bank's name and information, along with a check number and other electronic-looking numbers will be preprinted on the check. Never have your Social Security Number or Driver's License number printed on your check. That gives someone too much information about you and helps to protect you against identity theft.

A check is a legal document and must be filled in correctly; otherwise, the bank or other businesses may refuse to accept it as payment. Following are the five basic steps to follow when writing a check:

Step 1: Write the date in the upper right hand corner. You can use any format for the date as long as it can be read. Use the current date; do not write a check for a future date (called a postdated check).

Step 2: Write the name of the person or company receiving your check on the line that starts with "Pay to the Order of" or "Payable to." This person or company is called the "payee."

Step 3: Write the dollar amount of the check in numbers in the small space that starts with a

TEACHING IDEA

Have your students visit the following Web site for online activities that focus on tracking your money and check writing:

<http://www.themint.org/kids/tracking.html>

dollar sign (\$) so that it reads like this: \$125.76.

Step 4: Write the same amount using words for whole dollar amounts and a fraction for the cents on the line ending with the word “Dollars.” Also, be sure to draw a straight line to fill up the remaining space on the line. It should look like this:

One hundred twenty-five and 76/100 ----- Dollars.

JOHN DOE		1001
123 Main St. Anywhere, OK 73125		DATE _____ Step 1
PAY TO THE ORDER OF _____ Step 2	\$	_____ Step 3
_____ Step 4		DOLLARS
Your Bank 456 Money St. Anywhere, OK 73125		
MEMO _____ Step 6	_____ Step 5	
: 123456789: 7851005100" 1001		

Step 5: Sign your name on the signature line at the lower right.

Step 6: If making a payment like a credit card bill or cell phone bill, write your account number on the line following Memo. This line can also be used for any other special notations that need to be made on the check.

The next two steps are just as important as what you write on your check. They involve knowing how to correctly record your check in your “check register” or “check ledger,” a booklet that comes with your preprinted checks. Taking one minute to write down this information may save you a lot of money and prevent you from paying fees for writing checks or using your debit card when there is not enough money in your account.

Step 7: Write down the check number, date, payee and amount in the check register or ledger at the front of your checkbook. Also including the ATM transaction number is applicable.

Step 8: Subtract the amount of the check so you will know how much you have left in your account.

See the example below:

Check Number	Date	Description of Transaction	Payment/ Debit (-)		Fee	Deposit/ Credit (+)		Balance	
	2/20	Opening Deposit	\$			\$200	00	\$200	00
105	2/26	Coffee Mart	19	75				19	75
								180	25
	3/12	ATM	100	00				100	00
								80	25
	3/22	Deposit				30	00	30	00
								110	25
	3/23	Deposit				50	00	50	00
								160	25
	3/23	Cash Back from Deposit	25	00				25	00
								135	25
	3/18	Monthly Fee			2.00			2	00
								133	25

Are you curious about those funny looking numbers at the bottom of your preprinted checks?

- The first set of numbers (123456789:) is called check routing numbers and are read by high speed check-processing machines to move your check from place to place (such as moving it from your bank to a bank used by a store at the mall).
- The second set of numbers (7851005100) is your bank account number. That number is also used to properly route the check back to your account.
- The third set of numbers (1001) is the check number. It is the same number as the one printed in the top right hand corner of your check.

Depositing Money into Your Account

Obviously, if you are going to take money out of your account, you need to know how to put the money in your account. The form below should look something like the deposit slips you receive with your checks. Generally, each book of checks has a few of these slips in the back with your preprinted information on them. Should you need more deposit slips, your local bank will provide you with blank slips to fill out and use as needed.

Bank Deposit Slip

DEPOSIT TICKET	Your Name		CURRENCY							
	Your Address		COIN							
	Your Phone Number		CHECKS							
	DATE		OR TOTAL							
	<small>DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL</small>		FROM REVERSE							
	<small>SIGN HERE IF CASH RECEIVED FROM DEPOSIT</small>		SUBTOTAL							
	YOUR FINANCIAL INSTITUTION		LESS CASH RECEIVED							
	YOUR CITY, STATE Zip Code		NET DEPOSIT							
	DO NOT USE FOR AUTOMATIC PAYMENT OR CHECK TRANSACTIONS									

Follow these steps to ensure you correctly complete your deposit slip. If you are putting money in the bank, you definitely want to be sure it goes in YOUR account and not someone else's.

Step 1: Write today's date on the deposit slip in the date line.

Step 2: If you are depositing currency (dollar bills), write down that total amount in the space following the word *currency*.

Step 3: If you are depositing coins, write down that total amount in the space following the word *coin*.

Step 4: Write down each check, including the person/business it is from and the amount, on a separate line and space. If you have more checks than lines and spaces on the front of the deposit slip, there should be additional lines and spaces on the back side of the deposit slip.

Step 5: Total the amount of your deposit (cash, coins, and currency) and write that amount in the space following the word *subtotal*.

Step 6: If you want to take out any cash from your deposit, write that amount in the space following the words *less cash received*.

Step 7: Subtract the cash received from the subtotal, and write that amount in the space following the words *net deposit*.

Step 8: If you are withdrawing cash from your deposit (Step 6), then you will need to sign your name on the line below the date. Your name should be signed exactly the same way you sign your checks.

Record your net deposits in the check register to keep an accurate balance of the money in your account.



COMPLETE: Your Check Register – Activity 4.1.1

Review student answers before continuing with this lesson.

What did you learn from this handout?

Answer:

Managing your account

Having a bank account can be expensive if not used properly. The key to managing your account is writing down every withdrawal or deposit into your account and every fee you pay for those services. Subtract all withdrawals and fees from your balance and add all deposits so you know how much money remains in your account. Withdrawals include writing checks, making purchases with a debit card, and using ATMs to get cash. Also, if there is a fee, write it down and subtract it from your balance. Otherwise, you may find that you have “overdrawn” your account.

Being overdrawn means you have used more money than you put in your account. Any time you are overdrawn, banks charge fees called “overdraft” or “insufficient funds” fees and automatically subtract them from your account. Obviously, that leaves you with even less money. In addition to bank fees, merchants or people to whom you gave the check may also charge you a fee for giving them a bad check—and that will

cost you even more money! One “hot check” (a slang term for checks written on accounts with insufficient funds) may cost you as much as \$100 by the time you pay all of those extra fees.



People who habitually and knowingly write “hot checks” or “bounce” checks (another slang term for being overdrawn) can be put in jail or fined for their careless or criminal behavior.

The same is true for overdrafts using a debit card. The bank may deny the transaction, leaving you in an embarrassing position in front of your friends—or it may allow the transaction to go through, leaving you with more fees to pay.

Some banks will offer a special service called “overdraft protection” to help keep you out of trouble. But, you will also be charged a fee for using this service—so it will still be an unnecessary cost to you. Why give the bank extra money for fees when you could use that money for things you want or need?

Maintaining an accurate record of your transactions is the only way to protect yourself from costly mistakes with your bank account.

Reconciling your statement

Each month, you receive a bank statement. A **bank statement** is a record of all of the transactions on your account during the past month. It lists every check, every ATM withdrawal, every debit card use, every fee charged, and every deposit made.

When you receive your statement, it only takes a few minutes to reconcile it. When you **reconcile** your bank statement, you simply compare the bank’s records with your records.

Your bank statement is your opportunity to verify that the bank has not made a mistake with your money. While it may not happen often, sometimes banks accidentally take money out of the wrong account, enter the wrong amount in their records, or make other mistakes. Taking the time to reconcile your account is the only way to catch those mistakes. It is also the best way to catch any mistakes you may have made in your record-keeping.

What if you forgot to write down the time you and your friend stopped at the ATM to get \$50 in cash before going to the football game? How long would it take you find out? If you continue using your account believing that you have an extra \$50 plus \$2 for the ATM fee, you may overdraw your account—and have to pay all of those overdraft fees!

Online banking offers you an even faster way to review your account. Either way, the benefits of reconciling your account on a regular basis far outweighs the time it takes to do so. Just ask Alexis.

Here are the steps you should follow when reconciling your account:

Step 1: Record the balance in your check register.

Step 2: Subtract any bank charges. That amount is your check register balance.

Step 3: Find the ending balance on your statement and add any deposits not included on your statement. (If you make a deposit after the bank statement was printed, it would not be reflected on the statement.)

Step 4: Subtract all withdrawals that are not included on the statement, including all checks, debit card, and ATM transactions.

The amount you have after making those adjustments is the current balance in your checking account. If for some reason you cannot get your account to balance, you can go to your bank and ask someone there to help you find the problem.

Conclusion

Learning the basics of managing a bank account is a great tool to build financial independence and meet your financial goals. Spending money on unnecessary fees and charges is expensive and can be easily avoided by practicing accepted money management skills. Most people get into trouble with overdrafts and hot check charges because they failed to keep accurate records or reconcile their checking account on a monthly basis. Starting good habits now will save you money for many years to come.

What happened to Alexis? Do you suppose she forgot to reconcile her account this month?

If you said yes, you are correct! She had used her ATM card too many times without writing down the amount, and she had no money left in her account. That is why the machine refused to give her money.

Do not let that happen to you.

Name: _____ Class Period: _____

Tracking Your Money

Review Lesson 4.1

Answer the following questions and give the completed lesson to your teacher to review.

1. A _____ is used to add funds to a bank account.
 - a. check
 - b. deposit slip
 - c. signature card
 - d. withdrawal slip

2. When receiving your bank statement, you should immediately do what?
 - a. File it for your records.
 - b. Reconcile your account.
 - c. Share it with your best friend.
 - d. Shred it through a paper shredder.

3. A check register includes what information for checking account transactions:
 - a. Date of transaction
 - b. Name of bank
 - c. Purpose of the check
 - d. Blank checks

4. The memo on a check is used for
 - a. signature
 - b. brief explanation of transaction
 - c. your birthday
 - d. no purpose

5. Which of the following statements is FALSE?
 - a. A bank statement is a record of all of the transactions on your account during the past month.
 - b. It is no big deal to pay overdraft fees or make a habit of writing checks without money in your account; everybody does it.
 - c. Most debit cards draw money from a checking account.
 - d. The first set of numbers at the bottom of a check are the routing numbers.

DEPOSIT TICKET

Your Name
Your Address
Your Phone Number

DATE _____

DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL

SIGN HERE IF CASH RECEIVED FROM DEPOSIT

YOUR FINANCIAL INSTITUTION
YOUR CITY, STATE Zip Code
DO NOT USE FOR AUTOMATIC PAYMENT OR CHECK TRANSACTIONS

CURRENCY _____

COIN _____

CHECKS _____

OR TOTAL FROM REVERSE _____

SUBTOTAL _____

LESS CASH RECEIVED _____

NET DEPOSIT _____

DEPOSIT TICKET

Your Name
Your Address
Your Phone Number

DATE _____

DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL

SIGN HERE IF CASH RECEIVED FROM DEPOSIT

YOUR FINANCIAL INSTITUTION
YOUR CITY, STATE Zip Code
DO NOT USE FOR AUTOMATIC PAYMENT OR CHECK TRANSACTIONS

CURRENCY _____

COIN _____

CHECKS _____

OR TOTAL FROM REVERSE _____

SUBTOTAL _____

LESS CASH RECEIVED _____

NET DEPOSIT _____

JOHN DOE
123 Main St.
Anywhere, OK 73125

DATE _____

PAY TO THE ORDER OF _____ \$

DOLLARS

Your Bank
456 Money St.
Anywhere, OK 73125

MEMO _____

:123456789: 7851005100"1001

<p>JOHN DOE 123 Main St. Anywhere, OK 73125</p>	<input style="width: 50px; height: 15px;" type="text"/> DATE _____
PAY TO THE ORDER OF _____ \$ <input style="width: 80px; height: 15px;" type="text"/>	_____ DOLLARS
Your Bank 456 Money St. Anywhere, OK 73125	
MEMO _____	
:123456789: 7851005100" 1001	

<p>JOHN DOE 123 Main St. Anywhere, OK 73125</p>	<input style="width: 50px; height: 15px;" type="text"/> DATE _____
PAY TO THE ORDER OF _____ \$ <input style="width: 80px; height: 15px;" type="text"/>	_____ DOLLARS
Your Bank 456 Money St. Anywhere, OK 73125	
MEMO _____	
:123456789: 7851005100" 1001	

<p>JOHN DOE 123 Main St. Anywhere, OK 73125</p>	<input style="width: 50px; height: 15px;" type="text"/> DATE _____
PAY TO THE ORDER OF _____ \$ <input style="width: 80px; height: 15px;" type="text"/>	_____ DOLLARS
Your Bank 456 Money St. Anywhere, OK 73125	
MEMO _____	
:123456789: 7851005100" 1001	

<p>JOHN DOE 123 Main St. Anywhere, OK 73125</p>	<input style="width: 50px; height: 15px;" type="text"/> DATE _____
PAY TO THE ORDER OF _____ \$ <input style="width: 80px; height: 15px;" type="text"/>	_____ DOLLARS
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MEMO _____	
:123456789: 7851005100" 1001	