



Tracking Your Money

Standard 4

The student will demonstrate the ability to balance a checkbook and reconcile financial 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.

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

Alexis stops at the bank 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 tells her she has insufficient funds in her account. She is so upset. She checked online earlier in the day and saw she had plenty of money in her account and wonders what could possibly be wrong with her card or with the machine. She immediately calls her mom to explain the problem. Mom suggests she check her bank account online. After she checks her account there is a notice that she is overdrawn. Alexis has no idea how that happened.

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

Lesson

According to a 2010 study by the Federal Reserve System, The estimated number of noncash payments totaled 109.0 billion in 2009, with a value of \$72.2 trillion.

Non-cash payments include everything except cash, such as credit cards, debit cards, checks, electronic transfers and gift cards. While the use of paper checks continues to decrease, they are still used for about one-fourth of all transactions in the United States.

REMINDER

A check is a written document ordering a bank, credit union or other financial institution to transfer money from your account to someone else's account. A debit card is the plastic version of a check.

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.

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?

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.

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!

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.

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

While checks are becoming less common, there are still times when you need to know how to write one. Your checks will usually be personalized, with your name, address and phone number. 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:

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

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 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.

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

If you are going to take money out of your account, you need to know how to put the money in your account. Many banks have online deposit options but sometimes you may need to go to the bank to deposit cash or checks. 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. With the blank slips, you will need to add your bank account number and other information requested on the form.

DEPOSIT TICKET	Your Name	CURRENCY <input type="text"/>	
	Your Address	COIN <input type="text"/>	
	Your Phone Number	C <input type="text"/>	
	DATE <input type="text"/>	H <input type="text"/>	
	<small>DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL</small>	E <input type="text"/>	
	<small>SIGN HERE IF CASH RECEIVED FROM DEPOSIT</small>	C <input type="text"/>	
	YOUR FINANCIAL INSTITUTION	K <input type="text"/>	
	YOUR CITY, STATE Zip Code	S <input type="text"/>	
	DO NOT USE FOR AUTOMATIC PAYMENT OR CHECK TRANSACTIONS	SUBTOTAL <input type="text"/>	
		LESS CASH RECEIVED <input type="text"/>	
	NET DEPOSIT <input type="text"/>		

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.

Managing Your Account

Having a bank account can be expensive if not used properly. The key to managing your account is keeping track of 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. With online banking you still need to keep track of your money by tracking withdrawals. The key is keeping track of all of these items and checking your account frequently to spot inaccuracies.

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 either by mail, online or both. 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 check it for accuracy by reconciling it. To reconcile your bank statement, you simply compare the bank’s records with your records. While you can opt out to just receive your statement available online, many financial consultants recommend continuing receive a paper copy of your bank statement as added protection to prevent fraud or inaccuracies.

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. More likely is the chance for fraud to be occurring. Taking the time to reconcile your account is the only way to catch those mistakes.

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. 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.

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.

FINAL NOTE: 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.

This lesson was written and created by
Oklahoma educators in partnership with



Name: _____ Class Period: _____

Tracking Your Money Review 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

C
H
E
C
K
S

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

C
H
E
C
K
S

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

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

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

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