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Quick Facts

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A checking account provides a safe, convenient way to pay financial obligations.

- People who write fewer than five checks per month may not need a checking account.
- Those who do need a checking account can choose from an analysis plan, a minimum balance plan, a free checking account or a package account.
- In addition to the standard fees in maintaining a checking account, there are possible charges for stop payment orders, overdrafts, personalized checks, and postage when banking by mail.
- Before opening a checking account, the consumer should find out the rules and regulations governing the checking account.

consumer should analyze checking needs, make a comparison of kinds of accounts from different banks and select one that is most advantageous.

A checking account usually is opened by an individual in order to have a safe, convenient way to pay financial obligations and to have a record of payment. There are many kinds of checking accounts. A careful choice can reduce the consumer's cost anywhere from \$10 to \$30 per year.

The Needs of a Consumer

A person needs to analyze his or her checking needs. How many checks are written per month? How many deposits are made per month? How much money over and above actual transactions is it necessary to maintain in a checking account?

People who write fewer than five checks per month may not need a checking account. These people might use as an alternative to a checking account a savings account which has no limits on withdrawals and either has inexpensive money orders, free money orders, will write free checks,

account

Alice Mills Morrow 1/

Selecting a checking

no.9.106

or will automatically deduct from the account and pay routine bills such as mortgage payments and utilities

Persons who do want or need to have a checking account have a variety of choices.

Types of Checking Accounts

An analysis plan charges the customer for every transaction. There is a charge for checks and a charge for deposits. There is a credit given for the amount of balance maintained for the month.

With a *minimum* balance plan, the customer usually receives unlimited checking activity in return for maintaining a specified minimum balance. Generally, there is a service fee if the account falls below the minimum balance. It is important to know how the bank

determines minimum balance. Some banks use the lowest balance at any time during the month for the average balance. Other banks use the average daily balance as the minimum balance. The average daily balance method allows for more fluctuation in the account.

Minimum balance plans, while they may be advertised as free, are not free. The consumer who leaves a minimum balance in a checking account is losing the interest that the money would have earned in a savings account. The person opening a minimum balance account should compare the minimum balances required at different banks. Usually the minimum balance required ranges from \$100 to \$300. If the consumer chooses, instead of an account requiring a \$300 minimum balance, an account requiring a \$100 minimum balance and puts the \$200 difference in a savings account paying 51/4 per cent interest, the \$200 would earn slightly over \$10.

A free checking account is the most desirable checking account for a consumer. In this plan there is no charge for processing of checks, no monthly service fee, and no required minimum balance. Usually, there is a charge for the printing of personalized checks.

Package accounts offer a variety of bank services for a fixed monthly fee. A typical

¹/Alice Mills Morrow, CSU associate professor, home management (10/15/76)

To simplify technical terminology, trade names of products and equipment occasionally will be used. No endorsement of products named is intended nor is criticism implied of products not mentioned.

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package includes no service-charge checking, unlimited personalized checks, a safe deposit box of a certain size, cashier checks, money orders and free notary services. If a consumer uses a broad range of bank services, he or she should keep a record of banking expenses for a year and compare this to the cost of a package account for one year.

Other costs. In addition to the standard fees in maintaining a checking account, there are other possible charges which the consumer should be aware of:

-charge for stop-payment order.

-charge for overdrafts.

-cost of printed personalized checks.

-cost of postage when banking by mail.

Rules and Regulations

Before opening a checking account, the consumer should find out the rules and regulations governing the checking account.

When can withdrawals be made on cash deposits? When can withdrawals be made on deposited checks?

By accepting the regulations, is the consumer authorizing the bank to pay debts owed to the bank from the checking account? Some agreements give authorization to the bank to offset amounts the consumer has not paid in accordance with terms on installment loans or bank credit cards from the checking account. This may cause problems for the consumer since the withdrawal from the checking account may leave insufficient funds in the account to pay checks which have been written.

A Comparison of Checking Accounts

A person should analyze checking needs and decide the kind of account most desirable. Call banks and find out what kinds of checking accounts are available. Then pick the account that is most advantageous.

Table 1 will help the consumer compare checking accounts.

After Opening a Checking Account

After a checking account is opened, the consumer should take the following precautions:

-When ordering personalized checks, ask when they should be received. If the checks are not received on schedule, check with the bank.

—Make certain that the information on newly printed checks is accurate.

-Destroy blank checks on accounts which have been closed.

-Keep blank checks, cancelled checks and personal deposit slips in a safe place at home.

-Carry only a minimum number of blank checks and deposit slips.

-Notify the bank of lost or stolen checkbooks.

—Always write checks in ink; start as far to the left as possible in each space, leaving no spaces where figures or words can be inserted.

-Reconcile the bank statement as soon as it is received.

Other Minimum Overdraft Charge Charge for Charge Charge Location, Other Estimated Name | Free Minimum How is Charge if checking balance minimum minimum checking initial charge for propersonalized for for bank cost/month Bank cashier for no balance balance account deposit cessing checks money hours charge determined is not charging a stop checks orders bank by maintained methods payment mail order service RECEIVED JUN 1 9 1987 COLORADO STATE LIBRAR State Publications Depository

Table 1: Comparison of checking accounts.