

Money Management

Money Management is a weekly column on personal finance prepared and distributed by certified public accountants.

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AVOIDING OVERDRAFT AND BOUNCED CHECK FEES

Have you ever been hit by a hefty charge for accidentally withdrawing more money than is in your checking account? These fees can be quite high, so the New Hampshire Society of CPAs advises that you understand how they work and how to avoid them.

THE NUTS AND BOLTS

When you try to withdraw more money than you have in your account, the bank has the option to refuse that withdrawal, which they do when they return a "bounced" check for insufficient funds and charge you a bounced check fee. They may also allow the transaction and charge you a fee for the overdraft. This can happen if you write a check for more money than is in your account or if you make a withdrawal using an ATM machine or debit card for an amount in excess of your checking balance. You might also be charged a fee if an automatic or electronic payment puts your account into overdraft status. When you open your account, find out about your bank's policy so that you are not taken by surprise later.

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EXPENSIVE FEES

Why is it important to be informed? A large overdraft fee can turn any purchase into an extremely expensive proposition. Let's say you use your debit card to buy a sandwich for \$5.

Unfortunately, your funds are very low, and there's not enough in the account to cover the purchase. If your bank charges a \$20 overdraft fee, then you end up paying \$25 for that sandwich.

KEEP YOUR RECORDS UP TO DATE

It's clear, then, why it's so important to understand your bank's policy and avoid these fees. Begin by recording all your checks, debit card purchases and ATM withdrawals accurately and quickly so you always have a clear idea of how much money is in your account. If you get information from the bank about your current balance, remember that some checks or automatic payments may not have cleared yet. If you withdraw most of your current balance now, you may be hit with an overdraft fee when outstanding checks or payments are cleared. Of course, you'll also want to check your account statement when you receive it from the bank each month to see how you really stand or to ensure no errors have been made.

LOOK FOR LINKS

Find out if you have less expensive options for protecting

yourself against overdraft charges. For example, the bank may allow you to link your checking account with your savings account or a credit card. If you withdraw more than you have, the bank takes the money from savings or charges it to your credit card instead of slapping you with a large overdraft fee. Some banks also offer a line of credit that covers any overdrafts. The bank may charge you a transfer or other fee for these transactions, but they are usually much lower than overdraft or bounced check charges.

AVOID THE BOUNCE

It's important to bear in mind, too, that even if you have overdraft protection, your bank may not always honor a check or transaction for an amount that is higher than your current balance, depending on the size or circumstances of the withdrawal. If it does refuse a check or transaction for insufficient funds, not only will your bank hit you with a high charge, but, in many cases, you will have to pay a bounced check fee to the intended check recipient.

CONSULT YOUR CPA

Unexpected fees and hidden charges can make it difficult to manage your money. When you have questions about handling your

finances, remember that your CPA can help. Turn to him or her with all your family's financial questions.

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