Reconciling a checking account worksheet

A checking account keeps your money safe. While you can put your extra money in your mattress and carry large amounts to the store when you need to make a purchase, they are not the safest ways to store and transfer money. You can easily lose some of the bills or, at worst, have someone steal your money. Depositing money into a checking account makes it easy to track and limits your losses if you are to stop losing your wallet filled with cash. Insurance from the Federal Deposit Insurance Corporation contributes to this security. The FDIC protects bank accounts, up to a limit of $250,000, so you get your money back even if your bank fails. At the same time, current accounts are designed to be the hub of your financial life. You probably deposit your paycheck into your payaccount every pay cycle and you likely pay most of your bills from the account. You must be able to easily move your money in and out of your account. Unlike savings accounts, current accounts are so-called transaction accounts, and do not limit the number of transactions that you can make or charge for excessive transactions. Almost every bank and credit union offers a checking account, but some online banks focus only on savings-based products. Benefits of checking accounts There are many advantages to opening a checking account. Security check accounts keep the money you have deposited safe. If you carry all your money in cash and end up losing your wallet, then you are unlucky. If your money is in a checking account and you lose your wallet, you only lose the money you had on hand. All you have to do is visit your bank to get a new debit card. Check accounts also receive up to $250,000 in insurance from the FDIC, which means your money is safe, even if your bank closes. Easy availability One of the primary goals of a checking account is to make it easy for you to access your money. They do this through a combination of debit cards, checks and online payment features. When you're out shopping, you only have to pay for items to swipe with your debit card to make a payment from your checking account. No cash required. If you want to make a cash payment, you can use your card to make a withdrawal from an ATM. In a way, debit cards are preferable to using credit cards because you can't use them to spend money you don't have (with small overdrafts that act as exceptions to the rule). That means you won't go into huge amounts of debt. For larger purchases, such as your monthly rent, you can write a check against your account balance. This makes it easy to spend large sums without having to carry large amounts of cash. Finally, you can use the bank's online invoice payment system, or set up direct debit slate scans with billing companies, to easily make payments This makes paying things like credit card bills easily and on time. If you need to pay your friends, many checking accounts come with Zelle, a peer-to-peer transfer service you can use from your phone. You can also link your account to other services to make quick transfers to friends. Automation Automate your finances are a great way to make it easier and less stressful to manage your money. If you don't have to think about paying your bills, you don't have to worry about missing due dates or sending the wrong amount. Checking accounts makes it easy to automate your money management. You can set up direct deposit so that your paychecks arrive in your account automatically, rather than you having to visit your bank to make a deposit every time you get paid. You can also set up automatic payments so that your credit card, utilities, and other bills get paid automatically on their due dates. Access to overdraft Overdraft, which occurs when you withdraw so much money from your account that your balance drops below zero, is a double-edged sword. The fees the bank charges you to cover your payment can be expensive. And they hit you when you already have some money in your checking account. Still, it can be nice to have the opportunity to spend just a little more than you have in your account if you really need to do it. Ideally, you should set up overdraft protection, which means transferring funds from your savings account or a credit, reducing the cost of overdraft while giving you extra flexibility. Disadvantages of checking accounts Check accounts are not without their drawbacks, which you should keep in mind. Bad Interest Check accounts pay very low interest rates compared to savings accounts, which means your balance won't grow over time. Many current accounts pay no interest at all. The lack of interest makes it important to open a medium to long-term savings account for the storage of funds. The interest you earn can help reduce the impact of inflation, causing money to lose purchasing power over time. Fees Checking accounts are not always free. Some accounts charge monthly maintenance fees that your bank deducts directly from your account. Usually there are ways to avoid these fees, such as maintaining a minimum balance or making a sufficient number of debit transactions. Still, no one likes jumping through hoops to avoid fees. There are also other fees, such as fees for ordering checks and overdraft fees. Looking at the fee structure and making sure you won't pay your bank to give it the benefit of keeping your money is an important part of choosing the best checking account. Difficulty switching account When people open a checking account, they tend to keep it for the long term. Switching can be difficult, especially if you have configured and multiple automatic invoice payments from your account. If you want to change, you will want to keep your old account open for a while after you make the change, just to make sure you don't miss any invoice payments or have a paycheck sent to the wrong account. ATM limits One of the reasons you want a checking account is so you can easily access your money. However, many banks limit the amount of cash you can withdraw at a time or in a single day through ATMs. If you need to make a large cash purchase, you need to visit the bank to make a withdrawal in person or space your withdrawals over a few days. Open a new checking account After you've shopped around and selected the bank you want to use for your checking account, you can start the process of opening the account. The first step in the process is to fill out an application. This usually involves providing some personal information and government-issued IDs, such as a driver's license. If you're funding your new account from your old checking account, you'll also need both the routing number and the account number for your old account. This information will allow your new bank to transfer funds from your old account to the new one. If you open an account in person, you may be able to make your first deposit with a check or cash. Once your new account is open and ready to use, take the time to get comfortable with the account. Sign up for online banking and download your bank's app. Also set up the automation that you want, such as invoice payments and direct deposit. A good way to do this is to look at the latest statements you have received from your old bank. Look out for invoice payments debited from your account and be sure to transfer the automatic payments to your new account. Don't forget to talk to your employer about changing your direct deposit. HR can usually help make this change. After a few months without automatic invoice payments from your old account, you should be ready to close it and continue with only the new checking account. Today's picture of Mendenhall Olga by Shutterstock. Read more: Current accounts are demand deposits, meaning banks are required to return account holders funds on demand, making them one of the most liquid vehicles for cash. Control accounts are designed for daily expenses and bills, and checks can be written against the account, as the name indicates. There are individual and business accounts, both of which fulfill similar roles in different contexts. The vast majority of Americans use current accounts, with only 6.5% of households being unbanked. For people seeking information about checking accounts, information can be fragmented or confusing, and much of it can be delivered by financial companies hoping to convince customers. This article will inform readers of what a checking account really is, covering the basics and more in-depth aspects through the following topics: Control can provide useful features such as direct deposit, which allows paychecks to be transferred to your bank without any obligation to visit a branch to make the deposit. ATMs allow account holders to withdraw cash from current accounts – sometimes for a fee if the ATM is not owned by the account holder's bank. Debit cards are convenient payment tools that link to current accounts and can be used in a similar way to credit cards, freeing account holders from the obligation to carry cash. Checking accounts can also be used to pay bills automatically online, helping people avoid late payments. Back to the top How to choose a checking account There are many different types of checking accounts, each carrying features suitable for different types of consumers. Here is an explanation of a few different checking accounts you can choose from. Common checking accounts Common checking accounts are designed to have multiple owners. They are popular with couples and spouses but are also useful for minors, business partners or caregivers. Because they are co-owned by the holders, joint bank accounts require trust, communication and common goals in order to be successfully managed. When handled correctly, joint accounts can be a major step towards healthy relationships with economic cooperation. Student Checking Accounts Young people can use student account options, which are low-fee vehicles designed for people with limited credit histories. Like many people's first bank accounts, they tend to have modest fees and no minimum balance requirements to get young adults on their feet. Some students will also find it convenient to avail the same institution that provides private student loans for the purpose of organization and simplification. See: Best Banks for College Students Senior Checking Accounts Senior current accounts are designed for retirees who generally live on a fixed income from Social Security, pensions, annuities and income generated by investment portfolios. Most retirees are reluctant to spend down accumulated assets, so low fee accounts and high returns are particularly meaningful. Seniors can also recognize the value in accounts with banks that offer advice for retirement income planning. Compare: Best checking accounts for retirees Second-Chance Checking Accounts Some people will find value in second chance accounts, which are designed for anyone with limited access to banking due to credit problems or poor bank history. Pay attention to monthly fees and overdrafts when assessing these accounts. Consider the ability to upgrade to other types of current accounts when improving a person's bank profile. The chart below describes different types of accounts so you can decide what's right for you. Types of Control Accounts Type Best for Pros Cons Standard People Who have traditional traditional bank with potential online options Physical locations and ATM networks Usually have account minimums to avoid monthly fees, lower interest rates Online People who do not need brick-and-mortar sites Lower fees and better interest rates No personal service, few or no ATMs Common Spouses, caregivers Can be used for shared goals and expenses Require trust and coordination Business Business Owners Higher spending limits Higher fees and more restrictive terms Student Young adults Low fees and minimum levels Accounts Restrictive withdrawal conditions Senior Retirees Low fees Limited availability Second Chance People with poor bank history Opportunities may not be available otherwise higher fees, more restrictions Learn: Here's how long it takes for a check to clear on your bank Checking account deposits can't be lent to generate interest income for banks, so they rarely offer rewards. But some banks offer a bonus for account opening. Other banks, such as Discover, give modest money back on debit purchases, essentially giving debit card users a discount on each individual purchase. Depending on the needs and habits of the specific holder, these can be attractive benefits that can offset expenses and create value for an overall financial plan. Similarly, checking accounts often do not carry interest, unlike savings accounts. However, there are many banks that offer interest for accounts that meet a specific balance, deposit or debit usage requirement. This can be helpful in offsetting the effects of inflation or generating a modest return on consumption and savings. Money market accounts often deliver higher interest rates than other cash accounts, and they often have check functions. However, balance requirements, fees and transaction restrictions are more restrictive for money market accounts than other types of control vehicles. Once a prospective account holder has decided on the most appropriate type of account, it is important to choose the right type of institution that offers the best set of characteristics for their personal needs and preferences. Many people have checking accounts with credit unions. Credit unions are non-profit institutions owned and managed by account holders. The members of the credit union often have better terms, as excess capital is returned as a dividend to account holders, while the banks' profits are distributed as dividends to shareholders. However, there are some drawbacks to credit unions that can disqualify them for some people. They tend to be smaller institutions with less resources than large banks, so they may not have the full range of banking products, customer service and technical solutions that someone can seek from their primary banking relationship. Not all credit unions are FDIC insured, which is an important issue for people with large holdings and financial stability. Stability. this does not mean that they are uninsured; federally mapped credit unions are insured by the National Credit Union Share Insurance Fund, while nonfederal or state chartered credit unions are insured by private investors. Due to their smaller scale and different structure, credit unions may have fees or account minimums for members that are restrictive for certain purposes. For those who prefer a bank to a credit union, there are a number of factors to consider among different types of banks. There are large national and international banks, regional or local banks and online banks, all of which offer different advantages and disadvantages. Large traditional banks have significant resources and footprints, allowing them to offer a wide range of products, a large number of ATMs and branch locations, online solutions and overall strong customer service options. But big banks are more formulaic in their approach to customer service, and they tend not to lead the market on interest rates on neighboring products like savings accounts. Fees and terms and conditions for checking accounts can vary greatly between large traditional banks, so be sure to compare the best checking accounts before settling on one or the other. Small banks may not offer the same convenience or range of products as their larger competitors, but they provide a more personalapproach and often provide superior terms or flexibility for people who intend to use their bank as lenders. Online banks like Ally, Marcus, Synchrony and other fintech companies have also gained popularity in recent years. These institutions do not offer the convenience of physical locations and ATMs, but their more efficient cost structure allows them to offer much better interest rates on cash accounts, which can be ideal for tech-savvy people. Taking advantage of current bank account campaigns can also be a good start for new accounts, and third-party ratings can be useful guides for finding the best deals. Getting account opening bonuses in the form of cash or miles can be worth hundreds of dollars. Back to top Common Checking Account fees Once the above options have been considered, account holders must decide among institutions with competing offers. Free control is extremely popular for obvious reasons, but some people are more than happy to incur fees in exchange for value. There are many options for free control, but be aware of fees, minimum opening deposits and minimum balances that can range from $0 to thousands. Common fees include ATM transaction fees, which are charged to access cash from certain ATMs. It can also cost money for paper statements, foreign transactions or debit card compensation. Overdraft protection can help you fees in connection with inadequately funded transactions, but this is a feature that may cost account holders. Foreign transactions usually carry a fee, so research research before you make purchases while traveling. Finally, many accounts have monthly or annual account fees, especially if balance minimums are not met. When evaluating similar current accounts, be sure to minimize fees such as insufficient funds, overdraft protection, ATM, account maintenance, paper statements, foreign transactions and card switching, all of which can vary from bank to bank. Minimising these costs in the long term through the most consumer-friendly banks can bring significant benefits. Checking accounts can provide useful features such as direct deposit, which allows paychecks to be transferred to your bank without any obligation to visit a branch to make the deposit. ATMs allow account holders to withdraw cash from current accounts – sometimes for a fee if the ATM is not owned by the account holder's bank. Debit cards are convenient payment tools that link to current accounts and can be used in a similar way to credit cards, freeing account holders from the obligation to carry cash. Checking accounts can also be used to pay bills automatically online, helping people avoid late payments. Find: Best banks with no fees back to the top Differences between a check and savings account Checking accounts typically generate a lower interest rate than other cash instruments such as savings accounts. While checking accounts are designed to store money for expenses and pay bills, savings accounts are designed to accumulate cash. Savings accounts aren't designed to be used very often, so they usually have different limits on the amount and volume that can be traded within the account over a certain period. Back to Top Is Checking Accounts Safe? Checking accounts at FDIC-insured institutions are supported by the federal agency, but account holders must also consider account security measures to protect against fraud and identity theft. Many accounts offer features such as online security, fraud prevention, and suspicious activity alerts. Account holders should understand the availability and cost of security features, and it is important to periodically review bank statements to manage finances and monitor for unauthorized activity. It is also important to protect debit card PIN numbers from potential thieves, and the Federal Reserve recommends only using debit cards on encrypted pages for online transactions. Back to the top How to open a checking account prospective account holders can go to the desired institution's website to open an account online or go into a local branch to speak with a customer service representative. As is the case with most decisions in life, there are trade-offs between different options, so be sure to keep the above factors in mind when choosing the most appropriate account. To open an account, banks generally require photo IDENTIFICATION, a social security card proof of address. See: Best banks banks Back to the top Are you going to get a checking account? Checking accounts are very common accounts that are extremely useful for storing cash that is intended to be spent. With any financial instrument or account, consumers and business owners should identify the features that are important for their specific needs, goals and preferences. With checking accounts, key factors to consider include fees, account minimis, customer service, interest rates, security, promotional offers, adjacent products and services. Click through to find out more about how to read a bank statement. Back to top More from GOBankingRates This article has been updated with additional reporting since its original publication. Publication.