



Extension News Column

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We've all been there. Simple mistakes such as forgetting to write down a check, a deposit that is made later than we expected, or even a mathematical error and we've spend more money than we have in the bank account. Banks charge from \$25 to \$28 for this mistake. You've spent money you don't have and the banks are covering your overspending. They charge you for the mistake.

These charges add up. In fact, last year banking institutions charged more than \$17.5 billion for overdrafts. That is a considerable amount of money just for the privilege of never bouncing a check.

At the center of that controversy is the courtesy overdraft policies that allow banks to pay when you don't have enough money in your account. Watch for these bank policies that may saddle you with pricey overdraft charges.

Using a debit card won't keep you from overdrawing your account. Debit cards trigger 46% of all overdrafts. Ask the bank to set the debit overdraft on 0. It may be embarrassing for your card to be turned down, but you won't overdraw your account.

Banks can change the order in which checks are processed rather than in order of appearance. Some banks process the largest checks first. This keeps you from bouncing the important ones, such as a mortgage payment, but it can result in more charges as each of the smaller checks come in. Solve this by keeping a buffer in your account of \$100 or more. Also, pay attention to when deposits are credited. Some may take a couple of days before being posted.

Banks may charge more if you don't pay overdrafts promptly. Attach your savings account to your checking in case of an overdraft, or arrange for a line of credit. You will pay for the money you borrow, but it is cheaper than an overdraft fee.

Many banks put a hold on an amount of money whenever you use a debit card. It sometimes takes a day or two for the hold to clear. Hotels and car rentals may hold a larger amount to protect their products they are renting to you. Use a credit card for these purchases. The hold will still be there, but probably won't cause you to bounce a check.

Watch your account, keep a money buffer, and use a calculator to avoid costly mistakes with your debit card.