

## Balancing your Checkbook

The best way to avoid fees and penalties on your checking account is by making sure that you correctly balance it each month. A balanced account means simply that the tally of deposits and purchases you've made matches up with your monthly statement. It sounds challenging, but it's really easy.

- **Step 1:** Get a copy of your monthly bank statement. These should be mailed to you each month, but if you misplace one you can ask for another (usually for a fee) or get a copy online (usually for free).
- **Step 2:** Compare your statement to your checkbook register. Throughout the month, you should have been recording every deposit and purchase or withdrawal. If you see any charges or deposits on your statement that aren't in your register, add them.
- **Step 3:** Record any fees or balance adjustments that may appear in your statement.
- **Step 4:** Subtract from your register's balance any checks you have written but that have not yet cleared the banking system.
- **Step 5:** Check and see if the total matches your statement. If it does, your account is balanced. If not, go back through your register and see if you've missed anything or if you've made a mistake with your math.

### Computer Assistance

An even easier way to balance your checking account is to use financial management software, such as Quicken. You can record your purchases into the program as you make them. Then, when your bank statement arrives, you can run a program that will walk you through the process of balancing your account. All you have to do is click your mouse. The computer does the math for you.

### Bounced checks

Everybody makes mistakes from time to time. When you make mistakes on your checking account register it can result in overdrafts, also known as bounced checks. This is when you write a check for which you lack the money in your account to cover.

Overdrafts are very costly. Banks usually charge \$25 to \$35 for each one. It's not unusual for someone to miscalculate and bounce a number of checks in a row. When that happens, the fees can really add up.

Fortunately, there are some remedies when this happens.

- **Overdraft protection.** Most banks will offer a line of credit that will kick in when you make a charge that exceeds your balance. These are like credit card charges, with interest, so be sure to pay them off as soon as you can.
- **Negotiate.** Sometimes a bank will waive an overdraft fee when asked. They usually do so only if the overdraft was a rare occurrence. In other words, if you have a habit of bouncing checks, they're not likely to cut you a break.