

PAYING FAMILY BILLS

Check writing tips

- When you write a check, make sure all information is clearly written in a form that cannot be altered:
 - a. Put all check information as far to the left on each line as possible. When filling in the written amount, draw a line through any remaining space.
 - b. Print the written amount of the check; don't write it longhand.
 - c. Never use abbreviations when you fill in the payee information on the "Pay to the order of" line.
- Always use a pen when filling out a check, never a pencil or felt-tip marker.
- Your signature should match the one on file at your bank; never scribble illegibly. Illegible scrawls are easy to forge.
- Use the current date on a check; never postdate it. To avoid alteration, write out the date instead of using numerical abbreviations.
- Make sure that the written amount is exactly the same as the numerical amount. If the two differ, the written amount is considered legally binding. For clarity's sake, use the word "and" only once, between the dollar and cents figures: One Hundred Twenty Nine and 39/100; not One Hundred and Twenty Nine and 39/100.
- To prevent overdrawing your account, immediately record the amount, the date, and the person to whom the check is made out (the payee) in your checkbook stub or register.

In the check used in Figure 2, Marie Valdez (the payor) is paying \$11.45 to Acme Department Store (the payee).
 Be as specific as possible when you write the name of the payee. For example, if you have a mortgage and a credit card account at the XYZ Savings and Loan and you send in a check payable to XYZ Savings and Loan, it may be credited to either account. If you want it to be credited to the mortgage account, make the payee the mortgage account: pay to the order of "XYZ Savings and Loan—mortgage account #15380."

Avoid bounced checks

A "bounced check"—an overdraft—occurs when you have written a check for more money than is in your account. Your check will be returned to the person or business you wrote it to because there were insufficient funds in your account.

Bounced checks are costly. The bank charges you for the returned checks, and the business you wrote the check to also may charge you. If you have a pattern of bounced checks, businesses may refuse to accept your checks and your financial institution may close your account.

Avoid overdrafts by keeping accurate records of all the money you put into your account as well as records of all withdrawals you have made including all checks you have written. Your checkbook has either a check stub (Figure 2) or a check register (Figure 3).

This is the check stub. All information here should match what is on the check. This is also where you keep track of your bank balance.

Bank information and check number.

Check No. 727	Marie Valdez	58-263
Date 4/1/97	1234 Fifth St.	Check No. 727
To Acme Dept. Store	Juneau, OR 98765	Date April 1, 1997
For Shoes		
	Pay to the order of <u>Acme Department Store</u>	\$11.45
	<u>Eleven and 45/100</u>	
	Acme Bank	
	Anytown, USA	
Balance 49.79		
Deposit		
Deposit		
Total 48.79		
Amt. This Check 11.45		
Balance 37.34		

New balance. Description of what you bought. Routing numbers used by bank computers to process the check. Check writer's signature.

Figure 2.—Sample check and check stub.

Balancing your checkbook

Balancing a checkbook is easy. The reason for balancing the checkbook is to compare your records with the bank's records. There are several different formats you can use for balancing checkbooks. There may be a form on the back of the monthly statement. Or follow these steps:

1. Subtract any service charges listed on the statement from the balance in the checkbook. Go through the canceled checks the bank has returned and mark them off against the checkbook record. Some checks may be outstanding (written but not canceled by the bank and not returned to you with the statement). Add outstanding checks together, then deduct the total from the account balance shown on the bank statement.
2. Add money that has recently been deposited in the account but is not shown as credited to the account on the statement's account balance.
3. The checkbook balance minus service charges should now

Date	Check #	Check issued to or deposit received from	Amount	✓	Balance
4/1/97	727	Acme Department Store	\$11.45		\$37.34

Write the check number here. Write the amount of the check here. Subtract the amount of the check and write the remaining money in your account here.

Write the date you wrote the check here. Write what you put on the "Pay to the order of" line here. When the check number appears on your bank statement, and the amount in your statement is correct, put a mark here to show it has cleared.

Figure 3.—Sample check register.

equal the bank account balance minus the outstanding checks and plus the outstanding deposits.

If the figures don't agree, check the following:

- Was there an arithmetic error?
- Do the amounts written on the check stubs match the amounts written on the checks?
- Does your total of the amounts of the checks match the amount that the bank subtracted from the account?
- Are all non-check items, such as deductions for an automatic savings plan, deducted from the checkbook balance?

- Are all deposits recorded in the checkbook?
 - If it is a joint account, did both partners in the account record all of their checking transactions?
- If you can't find any errors, take the checkbook, statement, and canceled checks to the bank. Ask them to help you, and ask if there is a fee for this assistance. The longer a mistake remains uncorrected, the more confusing the problem becomes.
- Once you get into the practice of balancing your checkbook each month, you have the security of knowing exactly how much money you have in the bank, and that's insurance against bounced checks.

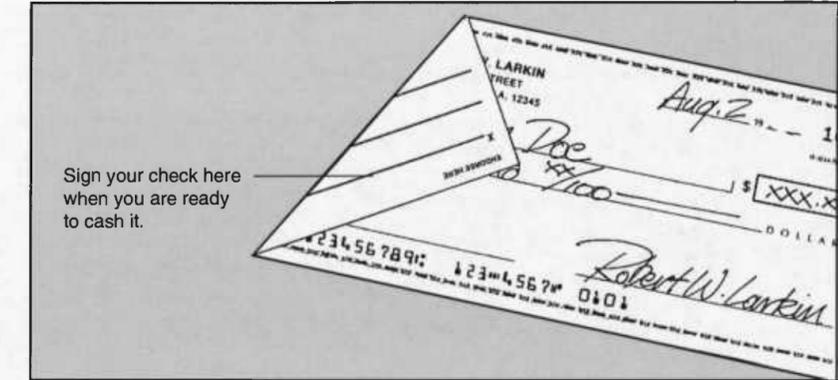


Figure 4.—Endorsement location.

ENDORSE HERE

X John Doe

DO NOT WRITE, STAMP OR SIGN BELOW
RESERVED FOR FINANCIAL INSTITUTION USE

Figure 5.—Blank endorsement.

ENDORSE HERE

X PAY TO THE ORDER OF

X NATIONAL BANK

X John Doe

DO NOT WRITE, STAMP OR SIGN BELOW
RESERVED FOR FINANCIAL INSTITUTION USE

Figure 6.—Special endorsement.

ENDORSE HERE

X PAY TO THE ORDER OF

X NATIONAL BANK: FOR

X DEPOSIT ONLY - John Doe

DO NOT WRITE, STAMP OR SIGN BELOW
RESERVED FOR FINANCIAL INSTITUTION USE

Figure 7.—Restrictive endorsement.

Endorsing a check

To cash, deposit, or transfer a check made out to you, you must first endorse the check. Endorsements must be written 1½ inches from the top of the back of the check (Figure 4). An endorsement may be *blank*, *special*, or *restrictive*.

Blank endorsement. In the endorsement area as shown in Figure 5, write your name as it appears on the front of the check. If your name is misspelled on the front of the check,

just sign it as it appears on the front, and sign your name again—only correctly—on the line below.

An endorsed check is like cash—anyone who has the endorsed check may cash it. If you are going to carry the check around or you are going to mail it, use a special or a restrictive endorsement.

Special endorsement. The person endorsing the check names the party to whom the check is being transferred. For example, "Pay to the order of X National Bank" as in Figure 6.

Restrictive endorsement. The person endorsing the check identifies the purpose of the transfer and restricts the use of the check. For example, "Pay to the order of X National Bank: For Deposit Only" as in Figure 7.

If you have more than one account at X National Bank, you should indicate the account number on the endorsement. For example, "Pay to the order of X National Bank: For deposit only, account #1230552."



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Other methods of payment

Cashier's checks

A cashier's check—also called a bank check or teller's check—does not require you to have a checking account. To get a cashier's check, go to the bank, request a cashier's check, and pay the bank for the amount of the check plus a service charge or fee.

Bring with you the amount of the check and the name of the payee—the person or institution to whom the check is to be paid. Keep your copy of the check as proof of payment.

Cashier's checks are sometimes required by contract; often the seller of a house or car will require a cashier's check rather than a personal check.

Personal and postal money orders

People who don't have checking accounts often use money orders. Banks and some retail establishments issue personal money orders. Post offices sell postal money orders in amounts up to \$700.

The amount is filled in when it is issued, and usually the name of the payee, the date, and the signature of the purchaser are left blank. Fill in the blanks immediately. Until the blanks are filled in, the money order is just like cash—anyone who has it can use it. Keep your copy until you know that the money order has been received and credited to your account.

There is a cost for money orders. If you use them frequently, shop around for the lowest cost.

Electronic fund transfer (EFT)

Another method for paying bills is electronic fund transfer (EFT) systems. EFT systems move funds into and out of accounts electronically. The most common uses are direct deposit and preauthorized payments.

Direct deposit of funds and preauthorized bill payment. Many employers give employees the option of receiving their salaries by direct deposit. Recurring payments such as Social Security, Treasury security interest and redemptions, pensions, annuities, and stock dividends are often deposited directly into checking, savings, or money market accounts. The advantages of direct deposit are convenience, the elimination of lost or stolen checks, and access to the funds on the day of deposit.

Many financial institutions offer their customers the option of authorizing the transfer of funds from a checking or savings account to pay recurring bills. The advantages of this are convenience and the avoidance of late charges, because bills are paid automatically on the predesignated date.

With either direct deposit of funds or preauthorized bill payment, always note in the checkbook or account ledgers the transactions being made. In addition, it is important to keep records of transactions and compare these with the bank statement.

Automated teller machines.

Automated teller machines (ATMs) are activated when the person with the account inserts an access card and his or her personal identification number (PIN). The account holder can then make deposits, obtain cash, and in some cases, pay loans or bills.

When the transaction is complete, the ATM issues you a receipt or transaction record. Keep each transaction record, note transactions on your checkbook ledger or savings account, and carefully review monthly statements. If there is an error in the statement, immediately notify the institution in writing.

A PIN is necessary to access your account and is your protection against unauthorized use of your access card. The best practice is to memorize your PIN; in any case, don't carry the PIN with you and don't choose an obvious PIN, such as parts of your name, address, birth date, and so forth.

If your access card is lost or stolen, immediately notify the institution issuing the card. If you do so within 2 business days, your liability is limited to \$50. If you notify the institution in more than 2 but fewer than 60 days, your liability is limited to \$500. If you do not notify them within 60 days, you could be liable for all unauthorized transactions.

When you use ATM machines, think about your physical safety. While the ATM allows transactions 24 hours a day, it may not be safe to go the ATM machine after dark.

When you pay bills, keep a record of the payment and be sure the way you pay your bills is convenient, safe, and economical.



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