

How Can I Better Manage Overdraft Protection?

Good account management means understanding your options and making an informed choice about how to conduct your transactions.

- **Avoid using overdraft protection on a regular basis**—it is a costly habit.
- **If you overdraw your account, get money back into your account as soon as possible.** Remember that with standard overdraft services you need to put enough money back into your account to cover both the amount of your overdraft and any bank fees.
- **When providing standard overdraft services banks are paying overdrafts as a discretionary matter.** There is no guarantee that your bank will cover any particular check, ATM withdrawal, debit card or other electronic transactions that overdraws your account. In other words, this type of coverage is not unlimited and is not ironclad.
- **Keep track of how much money you have in your checking account by keeping your account register up to date.** And don't forget to subtract any fees.
- **Pay special attention to your electronic transactions.** Record your ATM withdrawals and fees, debit card purchases and online payments you may have set up for utilities or loan payments.

- **Keep an eye on your account balance.** Remember that some checks and automatic payments may not have cleared yet.
- **Review your account statements each month.** Between statements, you can find out which payments have cleared and check your balance by calling your bank, checking online, getting a text or e-mail alert service or visiting an ATM.

By reviewing your periodic statement you will be able to track what you pay each month and throughout the year for nonsufficient funds fees and overdraft fees. Use this and other information to evaluate your overdraft protection experience. Banks are flexible and will help you if you want to change your choice about coverage.



Ask Your Banker...

Understanding Overdraft Options

How Do Overdrafts Happen?

When you

- write a check
- withdraw money from an ATM
- use your debit card to make a purchase
- make an automatic bill payment or other electronic payment

for more than the amount in your checking account, your bank has the choice to either pay the amount or not. If it pays even though you don't have the money in your account, you may be charged an "overdraft fee" in addition to owing the overdraft amount the bank advanced to honor your transaction. If your bank returns your check without paying it, you may be charged a "nonsufficient funds" or NSF fee. The person or company that you wrote the check or made an electronic bill payment to—for example, a store, your landlord, or the phone company—may charge you an *additional fee*. If your bank refuses to pay your debit card purchase for lack of funds in your account, you will need to find another way to pay the merchant for the goods on the counter you were expecting to purchase.

Avoiding overdrafts may be the lowest-cost way to protect your hard-earned money. But if you want overdraft protection to cover occasional mistakes, then ask your bank about the plans or services it offers that provide the benefit you need at a cost you are willing to pay.

How Can You Protect Against an Unintended Overdraft?

To protect against occasional unintended overdrafts, banks generally have some type of overdraft accommodation practice.

- **Standard overdraft services for checks and electronic bill pay.** Many banks provide some form of overdraft service as a standard practice so that your checks do not bounce and your electronic bill-pay transactions go through. You will owe an overdraft fee to the bank for each overdrawn item the bank pays at its discretion. But you will avoid the merchant's returned-check fee and will stay in good standing with the people you do business with.
- **Standard overdraft services for debit cards.** Banks that follow standard overdraft services for checks often make this coverage available for everyday debit card and ATM transactions. You need to expressly request this type of service. After you opt in, incurring a debit card overdraft will result in a fee, but your transaction will go through as you intended. If you do not opt in, a debit card purchase that would result in an overdraft will be denied unless you have another overdraft protection plan.
- **Overdraft protection plans.** Your bank may offer a formal line of credit or a link to your savings account to cover any type of transaction that overdraws your account. Banks typically still charge a fee each time you overdraw your account, but overdraft protection plans are often less expensive than standard overdraft services.

The choice is yours. Consider the costs when choosing protection against overdrafts.

Ways to manage overdrafts	Example of possible cost for each incident*
Do not overdraw	\$0 (it costs you nothing when you avoid overdrafts)
Link to savings account	A small transfer fee per overdraft (and lost interest on amount by which savings is reduced)
Overdraft line of credit	Often an annual fee + small transfer fee per overdraft + an interest charge until the credit line is paid off
Standard overdraft services	A fee per overdraft (usually same as NSF fee) + possible additional fees for staying overdrawn for several days
Bounced check	Both a bank NSF fee and a merchant bounced check fee per overdraft + more fees if the merchant tries to redeposit the same check unsuccessfully.

* These are examples only and actual costs will differ from bank to bank. Ask your bank about its fees and the fee structure for overdraft services and plans it offers.