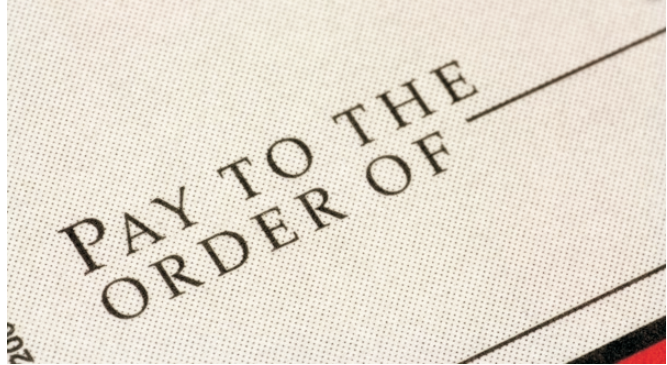


Personal Financial Documents: Checking Account

HAVE YOU EVER lost \$20? The feeling is terrible. How about \$100? Ugh. There is a simple way to protect your money while still giving you the freedom of cash—a checkbook. A checkbook allows you to draw from money you have already deposited into an account. If you ever lose your checkbook or a check, you can call your bank and put a hold on your account to protect yourself. Do you have a checking account?



Objectives:



1. Complete a deposit ticket.
2. Endorse a check.
3. Write a personal check.

Key Terms:



blank endorsement
check
deposit
deposit ticket

endorsement
endorsement in full
payee
payer

restrictive endorsement
third-party check

Checking Account

You have probably seen your parents' checkbook. If you look at a check, you can see that it is a simplified financial contract between two people or entities. The check serves to promise that money will be transferred from one party to the other. But where does the money come from, and how does it actually move from one place to another? It all starts with the deposit ticket.

USING A DEPOSIT TICKET

Before you can use your checkbook to write a check, there must be money in your checking account. To place money in that account, the deposit ticket is used. It is one of the most basic elements of a checking account.

Deposit

First, let's cover some basic terminology. A **deposit** is money put into a bank account. This action fills the account with funds from which you can draw when you write a check.

Deposit Ticket

A **deposit ticket** is a bank form used to deposit money into an account. The deposit ticket and other forms used with a checking account vary from bank to bank, though their basic elements are the same. Deposit tickets can be found at the back of a book of checks, at actual bank branch offices, and often online. The deposit tickets that come with your checks in a checkbook are preprinted with your name and account number.

Deposit Ticket Completion

Follow these steps to complete a deposit ticket:

1. Write the current date on the line marked "Date."
2. Record any cash being deposited in the space marked "Cash," noting the separate columns for dollars and cents.
 - ◆ Record paper bills as currency.
 - ◆ Record pennies, nickels, dimes, quarters, etc., as coins.
3. Write the name of the person or business that wrote each check being deposited under the words "List Checks Singly," and write the amount of each check in the dollars and cents columns.
4. Write the total of all cash and checks in the columns next to the word "Total."



FIGURE 1. A typical checkbook.

5. If only checks are being deposited and cash is wanted back, indicate the amount of cash requested in the columns labeled “Less Cash Received,” and then sign the form on the line under the date to show the receipt of cash.
6. Calculate the total amount of the deposit, which will be shown on the last line marked “Net Deposit.”
 - ◆ When no cash is requested, the net deposit is the same amount as shown on the “Total” line.
 - ◆ When cash is requested, subtracting the amount received from the total equals the net deposit.

CHECKING ACCOUNT DEPOSIT TICKET																																															
YOUR NAME STREET ADDRESS CITY, STATE, ZIP		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">CASH</td> <td style="width: 15%;">CURRENCY</td> <td style="width: 15%; text-align: right;">24</td> <td style="width: 15%; text-align: right;">00</td> </tr> <tr> <td></td> <td>COIN</td> <td style="text-align: right;">5</td> <td style="text-align: right;">00</td> </tr> <tr> <td colspan="4">LIST CHECKS SINGLY</td> </tr> <tr><td colspan="2"></td><td></td><td></td></tr> <tr><td colspan="2"></td><td></td><td></td></tr> <tr><td colspan="2"></td><td></td><td></td></tr> <tr><td colspan="2"></td><td></td><td></td></tr> <tr> <td colspan="2">TOTAL FROM OTHER SIDE</td> <td style="text-align: right;">85</td> <td style="text-align: right;">00</td> </tr> <tr> <td colspan="2">TOTAL</td> <td style="text-align: right;">114</td> <td style="text-align: right;">00</td> </tr> <tr> <td colspan="2">LESS CASH RECEIVED</td> <td></td> <td></td> </tr> <tr> <td colspan="2">NET DEPOSIT</td> <td style="text-align: right;">114</td> <td style="text-align: right;">00</td> </tr> </table>		CASH	CURRENCY	24	00		COIN	5	00	LIST CHECKS SINGLY																				TOTAL FROM OTHER SIDE		85	00	TOTAL		114	00	LESS CASH RECEIVED				NET DEPOSIT		114	00
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CHECKS AND OTHER ITEMS ARE RECEIVED FOR DEPOSIT SUBJECT TO THE PROVISIONS OF THE UNIFORM COMMERCIAL CODE OR ANY APPLICABLE COLLECTION AGREEMENT.																																															

FIGURE 2. On this deposit ticket, no cash is requested, so the “Total” and the “Net Deposit” are the same.

ENDORISING A CHECK

A **check** is an order to a bank to pay a specified sum to the payee. The **payee** is the person or business to which a check is written. An **endorsement** is the signature of the payee written on the back of a check.

By endorsing a check, the payee is acknowledging that the money was received or that the right to the money was transferred to someone else. The endorsement also stipulates that unless notations were made, the amount was correct and the terms were agreeable.

Endorse in Ink

An endorsement should be done in ink so the signature cannot be erased. Ink is also important in that it does not rub off like pencil markings.

Types of Endorsements

There are three common types of check endorsements. The first is a **blank endorsement**, which is the simplest endorsement and consists of the payee's signature only. Anyone who possesses a check with a blank endorsement can cash it.

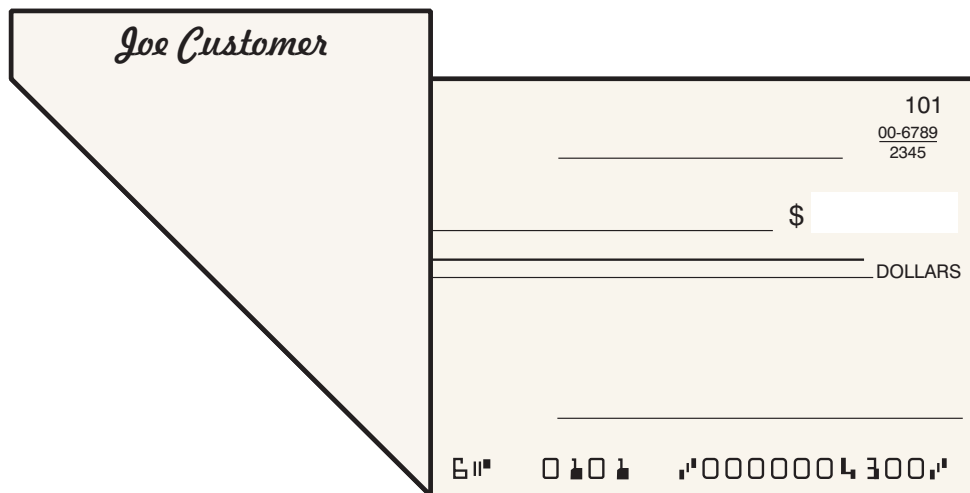


FIGURE 3. A blank endorsement on a check.

The second type of endorsement is a **restrictive endorsement**, which is an endorsement that limits the use of a check. It is safer than a blank endorsement. Writing the phrase “For deposit only” on the back of a check along with the signature restricts the check so it can only be deposited into the payee’s account. When mailing a check to the bank, a restrictive endorsement rather than a blank endorsement is recommended.

Finally, an **endorsement in full** is the type of endorsement used when transferring a check from one person to another. When the original payee writes “Pay to the order of [name]” on the back of a check and then signs his or her name below it, the check becomes a **third-party check**.

WRITING A PERSONAL CHECK

There are strict guidelines for writing a check. Failure to comply with them makes the check invalid or may put the writer at risk for financial loss.

Appearance

A check should be written clearly and neatly; all figures must be legible. A mistake on a check can be a disaster. Take care to make sure all the information is accurate and readable.

Ink

A check should always be written in ink to prevent it from being altered.



BROADENING AWARENESS...

AMAZING ASPECTS: Online Banking

Standard paper checks have a long history and will continue to exist for some time. In the last 20 years, though, paper checks have been overshadowed by electronic checks, a subcategory of the larger topic of online banking.

Most online banking contains many features that fall into several categories:

- Transactional (account-to-account transfer, including bill payment)
- Electronic bill presentment and payment
- Fund transfer between accounts
- Purchase or sale
- Loans and repayments
- Non-transactional reviews

Online banking allows you to deposit, spend, and transfer funds and review your financial history electronically, without ever having to leave home. In many cases, transfers can even be conducted by cell phone. While the checkbook may never become completely obsolete, we certainly will be using a lot less ink.

Completeness

The account holder should complete these parts of the check:

1. The current date
2. The name of the payee
3. The amount of the check
 - ◆ In the amount box (to the right of the “Pay to the order of” line), the amount should be written in figures; dollars and cents should be separated with a decimal point.
 - ◆ The amount line (below the “Pay to the order of” line) should have the whole-dollar amount written in words (e.g., Seventy-five). Cents should be indicated by a fraction in hundredths (e.g., 75 cents would be 75/100).
 - ◆ To deter alterations to the check, the entire amount line should be filled. The whole-dollar amount should begin at the far left. A single line should be drawn from the fraction to the word “Dollars.”
4. The signature of the **payer**, or person writing the check
 - ◆ The signature should always be consistent and exactly as on the signature card that was signed when the checking account was opened.
 - ◆ Cursive writing, not printing, should be used when signing a check.
 - ◆ A check should be signed with the payer’s legal name, not a nickname.

Memo

The “Memo” line provides a place to note the purpose of the check. Filling in this line is optional. Many people make notes in this section for check register organization or even tax filing purposes.

YOUR NAME		101
STREET ADDRESS		Month, day, year
CITY, STATE, ZIP		00-6789 2345
PAY TO THE ORDER OF	Any Business or Person	\$ 25.00
Twenty-five and $\frac{no}{100}$		DOLLARS
FINANCIAL INSTITUTION		
OF YOUR CITY		
CITY, STATE, ZIP		
MEMO	books	<i>Your Signature</i>
⑆ 2345 ⑆ 6789 ⑆ ⑆ 12 345 6 ⑆ 0101 ⑆ 0000004300 ⑆		

FIGURE 4. A properly written check.

Summary:



Before you can use your checkbook to write a check, there must be money in your checking account. To place money in that account, the deposit ticket is used. It is one of the most basic elements of a checking account. A check is an order to a bank to pay a specified sum to the payee. The payee is the person or business to which a check is written. An endorsement is the signature of the payee written on the back of a check. There are strict guidelines for writing a check. Failure to comply with them makes the check invalid or may put the writer at risk for financial loss.

Checking Your Knowledge:



1. What are the four parts of a personal check that must be completed?
2. When is a deposit ticket signed?
3. Why is the endorsement made in ink?
4. How is an endorsement used to deposit a check into your account?
5. What can you do to limit the liability of an endorsed check?

Expanding Your Knowledge:



Interview your parents about their current banking practices. Ask them if they use the standard banking formats or if they use the online features, and why. What do they think are the pros and cons of each format?

Web Links:



Electronic Bill Payment

http://en.wikipedia.org/wiki/Electronic_bill_payment

Online Banking

http://en.wikipedia.org/wiki/Online_banking

Practical Money Skills for Life—Banking

<http://www.practicalmoneyskills.com>