Understanding **Overdraft**

overdraft occurs when you spend more money than you have available in your checking account, resulting Most in a negative financial balance institutions offer overdraft protection, but relying on this service without fully understanding how it works can create a cycle of overdraft and NSF

OVERDRAFT SCENARIOS



you're unaware of your account balance. Be mindful by reading your monthly statements, by checking

your account balance regularly, and by tracking

It's easy to overdraw your checking account if

ACCOUNT BALANCE IGNORANCE

(non-sufficient funds) fees that's hard to break out of

your expenses with a checkbook register or with a budgeting app. HOLD ON When you make certain purchases like paying for gas at the pump, a hold can be placed on your debit card. This means that a larger portion of

your available debit balance is "frozen" until the transaction goes through. If you're already close to overdrawing your account, a hold can trigger a negative account balance without your realizing it.



transactions are processed can sometimes wreak

PROCESSING LIMITATIONS

havoc on your account balance. Be aware of your financial institution's holding periods so that you don't end up spending money you don't have. OVERDRAFT PROTECTION VS. OPTING OUT

Even if you're hyper-vigilant about your account balances and expenses, the time and order in which

Let's say that you're buying a brand-new gadget at the store. Your last paycheck hasn't cleared, so you're unaware that your current

available balance is only \$150. The gadget costs \$160. You pull out your debit card and... DEBIT



to cover the transaction OR Your account then

becomes overdrawn, resulting in a

negative balance

financial institution handles

overdraft situations:

Funds are transferred

from your savings account

BENEFIT You avoid the inconvenient situation of

having your card declined

CONSIDER You may be charged an overdraft fee

You may be charged

an NSF (non-sufficient funds) fee for having a

negative balance

You may also be charged a recurring fee until your balance is positive

If you frequently overdraw your account, you may be able to pay a monthly fee to reduce

vour total fee costs

BENEFIT You avoid a negative balance and any potential **NSF** (non-sufficient

not go through

WITHOUT **OVERDRAFT**

PROTECTION

funds) fees that go along with it **CONSIDER**

embarrassing

Having your card declined

can be inconvenient and

In emergency situations, it can be extremely troubling

According to Regulation E, consumers have the ability to opt out of overdraft protection for any debit card or ATM

DID YOU

KNOW?

transaction

HOW TO STAY AHEAD OF THE FEES

Set up alerts Most financial institutions will allow you to set up alerts that will inform you of your balance. You can receive a daily text message or email with your balance. In addition, you can usually set up an alert for a specific account balance. For example, you may want to receive a text message when your account balance reaches

\$200, so that you receive sufficient notice to add more funds or curtail your spending.

money until the next paycheck arrives. Although the best advice is to build an emergency fund so that you are not dependent upon borrowing, this isn't always possible. In order to CREDIT protect yourself from the high costs of short-term borrowing, consider taking out a credit card with a low interest rate for emergencies. Credit unions usually charge the lowest interest rates on credit cards. These products will not offer rewards, but they tend to offer lower interest rates that can be useful if you need a short-term loan. Keep in mind that having a

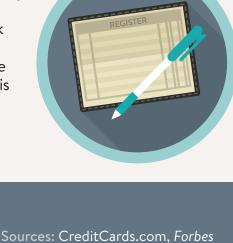
Sometimes, you just need to borrow

Find a better way to borrow

credit card does not give you a license to spend money you do not have—it should be used in an emergency situation for items that you need, not items that you want and cannot afford. Balance your checkbook

how much money is available to

Balancing your checkbook gives you power—the power of knowing exactly you. Whether you use a checkbook register, a spreadsheet on your computer or an app on your mobile device, balancing your checkbook is a good habit to form.



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