

PEAK FINANCIAL ACTIVITY 3c: READ: Bank Statements and How to Use Them

A bank statement shows the detail of your account activities for one month.

The following activities are tracked by the bank:

- Deposits
- Paid Checks
- ATM Withdrawals
- Bank Fees
- Transfers

The statement also shows the opening balance and the ending balance based upon the withdrawals and deposits made by the Account Holder. It will show the Account Number, and the Account Holder's name and address.

Sample Bank Statement

1Your First Bank		STATEMENT FOR Jane Doe 4 Primrose Lane Anytown, USA		THIS STATEMENT COVERS 12/20/99 through 1/18/00		
CHECKING ACCOUNT 0471-678		Previous Statement Balance On 12/19/99		612.04		
		Total of 3 Deposits For		1,980.68 +		
		Total of 10 Withdrawals For		1,705.25 -		
		Total Service Charges		3.50 -		
		New Balance		883.97 +		
CHECKS AND OTHER DEBITS	CHECK	DATE PAID	AMOUNT	CHECK	DATE PAID	AMOUNT
	181	12/24	15.00	184	12/17	1232.27
	182	1/04	17.00	* 186	12/31	54.47
	183	12/26	217.54	187	1/03	53.97
	Monthly Maintenance Charge			1/18	3.50	
	Withdrawal #00281 at ATM #423A			12/24	40.00	
	Withdrawal #02628 at ATM #423A			12/31	20.00	
	Withdrawal #08744 at ATM #430E			1/15	20.00	
	Withdrawal #02456 Check Card			1/16	35.00	
DEPOSITS AND OTHER CREDITS	Transfer from 4039-557 at ATM #423C		DATE POSTED	AMOUNT		
			12/27	1200.00		
	Customer Deposit at ATM#423A on 1/12		1/14	521.78		
	Direct Deposit from #05323 on 1/17		1/18	258.90		
ATM LOCATIONS USED	423A: 2500 Centre Plaza, Anytown, USA					
	423C: 2500 Centre Plaza, Anytown, USA					
	430E: 945 Hamilton Ave., Big City, USA					
THANK YOU FOR BANKING WITH Your First Bank						

Keeping Your Account Balanced

There are a lot of helpful computer programs that make the process of keeping your checkbook balanced. But before you zoom onto that information highway, it is practical to know how to keep your bank records the old fashioned way, by hand.

The bank is allowed to take several days to make sure your deposits are valid. If you want to make sure the bank gives you immediate credit for a deposit, you must deposit cash. If you use a check, the bank is allowed time to verify if the check is good before making it available to you. Bank policies vary so you'll need to ask your bank how they will credit your deposits.

Remember, the bank cannot read minds. If you write a check and mail it to pay one of your bills, the bank will not be aware of it until the payee presents the check to the bank for payment. Because of the delay on deposits and checks being presented for payment, you must balance your account every month.

If you do not understand how time and bank policies affect your bank balance, the bank charge you fees and this could ultimately hurt your credit. When you go to the ATM or pay with your debit card the money is taken from your account **immediately**.

Assume all your checks are up to date at the bank and that your deposits will take several days to show up in your account. This will reduce your chances of overdrawing. Anytime you make a payment with a check, buy with your debIt card, or make an online transaction, you must *assume that money is gone immediately*. When you make a deposit, assume that it will take the bank *six or more* business days to get the money into your account.

It's a bad habit to go to an ATM or online to check your balance. That current available balance you just "verified" does not show transactions that have not yet been presented to your bank. If you haven't accounted for bills that you've mailed but have not yet cleared the bank, you are gambling with your money and the odds are in the bank's favor. And banks only bet on sure things.

If you overdraw and do not cure the overdraft, the bank can report that to the credit reporting agencies and proceed with legal measures to get their money. If you bounce a check, the person to whom you wrote the check can report that to the credit reporting agencies. Until you pay for that bad check, it will remain on your record. In many places, writing bad checks is a crime.

A lack of understanding of the banking process can have a profoundly negative affect on your credit and your life. Having an understanding about how a checking account works means you can manage your day-to-day transactions and, when things go wrong, use canceled checks to protect your credit.

Assuming you want to pay your obligations on time and as agreed, and assuming that you DO pay your obligations on time and as agreed, you want to be able to PROVE that you have paid your obligations on time and as agreed.

Every bank statement has a form on the back of it that is laid out to help you balance your checking account. It includes those deposits and withdrawals that the bank cannot validate or does not yet know about. Follow these five easy steps to reconcile a bank account:

1. Compare your monthly bank statement against your checkbook, and put a check mark next to each transaction in your checkbook that is documented on your statement.
2. Find the ending balance on your bank statement.
3. Add to that ending balance any recent deposits that are not checked off in your checkbook.
4. From your new ending balance, subtract any recent withdrawals, checks, or debits in your checkbook that are not checked off.

This final number should match up with the ending balance in your checkbook. If not, go back and see where you may have missed a transaction or a calculation. It's there, somewhere.

