



the
CHECKBOOK
issue



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MATTERS
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We understand that money matters to our client families, and we recognize the vital role that financial literacy education plays in helping students develop productive financial behaviors for life.

First Command Financial Services is proud to support the First Command Educational Foundation and its *Money Matters* curriculum.

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Things that make you go hmmm....

Transpose What????
 Transposed numbers = TROUBLE

BALANCE GOOOOOD! - Balancing your checkbook accurately should bring a sense of pride

THE CHECKBOOK ISSUE

Table of Contents

| | |
|---|--------------------------|
| 2 | Introduction |
| 3 | Terms to Learn |
| 4 | Check Register |
| 5 | Balancing Your Checkbook |
| 8 | Conclusion |

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THANK YOU!



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Promote and provide education as the foundation of a productive society through scholarships and financial literacy programs.

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INTRODUCTION

This module provides information on what is recorded in a check register and how to balance your checkbook. Technological advances have made it easier to access your money. Online banking, ATM machines, and debit cards are trouble-free ways to simplify how you make purchases and pay bills.

Even with all these features, you still have to keep track of what goes in and what comes out of your checking account.

TERMS TO LEARN

Automated Clearing House (ACH)

An automated electronic network that exchanges funds via Electric Funds Transfer (EFT) throughout the U.S. fifty states and territories. Over 98% of the nation's financial institutions, including the Federal Reserve Banks, belong to the ACH. The ACH only processes electronic transfers.

Automated Teller Machine (ATM)

A computer terminal that allows banking transactions in a convenient location. They are found virtually everywhere: at grocery stores, banks, malls, on ships, and as freestanding drive-thrus locations. To obtain money from an ATM machine, an ATM card from your bank and a PIN (Personal Identification Number) are required. Some credit cards may also be used for cash advances at ATMs.

ATM Card

A plastic card used in an Automated Teller Machine (ATM) to withdraw funds from an account, deposit to an account, or transfer funds between accounts within a bank.

Bank

An establishment for ending, issuing, exchanging and safeguarding money.

Check

Any written document instructing a bank to pay money from a writer's account. Most checks are not paid in cash but by a subtraction or an addition to a depositor's account.

Check Register

Log, book, or journal where each check, debit card transaction, fee deposit, or credit to account is posted, usually sequentially.

Cleared

A check that has "cleared" the bank has been paid by the bank and deducted from your account.

Debit Card

A plastic card with a magnetic strip, which is used to automatically deduct money from the bank account of the cardholder to pay for goods or services. It usually looks like a credit card but deducts funds from your account immediately.

Electronic Funds Transfer (EFT)

The transfer of funds from one bank account to another bank account utilizing the Automated Clearing House network.

Interest

A fee paid for the use of money or paid into a loan or savings account.

Overdraft Protection

Protects against overdraft fees if an account is overdrawn. Some overdraft protection is like a loan. You will repay the bank for the overdraft amount plus interest. Overdraft protection should only be exercised in an emergency, not used regularly to cover a "hot" check.

Voided Check

This a check that has the word "void" printed across the front by the owner. A check may be "voided" because an error was made or because it is required to set up an automatic bill payment or direct deposit plan.



CHECK REGISTER

A check register is basically a booklet that is kept in your checkbook and contains important information about each financial transaction. Below is an example of the information you need to put in your check register.

| Item No. | Date | Description of Transaction | Payment, Withdrawal, or Free Amount | ✓ | Code | Amount of Deposit or Interest | Balance |
|----------|------|----------------------------|-------------------------------------|---|------|-------------------------------|---------|
| A | B | C | D | E | F | G | H |
| | | (what the Check is for) | | | | | |

Record the following information in the columns indicated above:

A. ITEM NO.

The check, deposit, or other transaction number, if there is one.

B. DATE

The date on which you wrote a check, made a deposit, withdrew money, or were charged a fee.

C. DESCRIPTION OF TRANSACTION

The organization or person to whom you wrote the check. In the column below, write the purpose of the check.

D. PAYMENT, WITHDRAWAL, OR FEE AMOUNT

The amount of the transaction.

E. CHECK MARK (✓)

Mark this column as you are reconciling (balancing) your checkbook.

F. CODE

This optional column is to help you record the type of transaction. (Codes are listed in the register.)

G. AMOUNT OF DEPOSIT OR INTEREST

This column is for your deposits, any interest paid into your account, or any other credits to your account.

H. BALANCE

Calculate the balance each time you record a transaction by adding or subtracting as appropriate.



BALANCING YOUR CHECKBOOK

The best time to balance your checkbook is when you receive your monthly bank statement. The fewer transactions you've made since the date the statement was prepared by the bank, the quicker and easier your reconciliation will be.

1 Reconcile Your Checks

The first step is to determine if there are any checks that haven't cleared the bank yet. You can sort your canceled checks in number order, or use the list of cleared checks that most banks provide with the statement to check off each canceled check that has cleared. Make sure the amount you recorded for the check is the same amount the bank shows. It is easy to transpose numbers when writing the check amount in your register (i.e. writing \$53.94 instead of \$53.49).

2 Reconcile Your Deposits

Make sure each deposit shown on your bank statement is recorded in your check register (especially if you have direct deposit, which you can easily forget to record). Next, go through your deposit slips, paycheck stubs, etc., and make sure the bank statement shows all the deposits you made. Check off the deposits in your check register as you did for checks.



3 Reconcile Your ATM Withdrawals and Debit Card Purchases

Go through the same process for ATM withdrawals or debit card purchases, checking off each transaction on the bank statement in your check register. If the bank shows transactions that are not included in your check register, record them now.

4 Record Interest Earned and Bank Fees

Check your bank statement for any other fees and subtract them from your balance in the checkbook register. Remember to add any interest earned.

Note: If your bank statement lists all transactions in sequence by date you can actually complete steps two, three, and four simultaneously.

5 Complete The Balancing Form

Most banks provide a form on the back of the bank statement that you can use to balance the account. The instructions below assume you're using our checkbook balancing form, but you can always use the form on the back of your bank statement. The procedure will be the same.

1. Go through your checkbook register and list any outstanding checks on the balancing form. These are checks and other debit transactions that you did not check off in your register as you completed steps one and three. These are transactions that have not yet cleared the bank.

2. Total the column of outstanding checks, debits, and ATM withdrawals.

3. Go through your checkbook register and list the outstanding deposits (credit transactions) on the balancing form. These are deposits you made after the bank closed out the reporting period that you did not check off in your register in step two. They were not listed on your statement.

4. Total the column of outstanding deposits.

5. On line a. of the Balancing Form, enter the ending balance shown on your bank statement.

6. On line b. of the Balancing Form, enter the total of your outstanding deposits.

7. On line c. of the Balancing Form, enter the total of your outstanding checks and ATM or debit transactions

8. On line d. enter bank service charges or fees.

9. On line e. enter interest earned.

10. Use a calculator to total the numbers you just entered on the form, adding the pluses and subtracting the minuses. Enter the new total on line f. This should equal the balance shown in your checkbook register.

11. If it doesn't, check for math errors in your checkbook register, such as reversed (transposed) numbers (for instance, \$53 instead of \$35), subtracting a deposit instead of adding it, adding a check written instead of subtracting it, automatic payments that you forgot to record, etc.

BALANCING FORM

| Outstanding Deposits (Not included in your statement) | | Outstanding Checks (Not included in your statement) | |
|--|--------|--|--------|
| DATE | AMOUNT | CHECK # | AMOUNT |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| TOTAL | | TOTAL | |

- a. Ending balance from the bank statement \$ _____
- b. Add total outstanding deposits + _____
- c. Subtract total outstanding checks - _____
- d. Subtract bank fees - _____
- e. Add interest earned + _____
- f. New balance (should equal the checkbook balance) \$ _____





CONCLUSION

There are several different ways you can remove money from your checking account: ATM machines, debit cards, writing checks, etc. With all these different methods available, it is sometimes difficult to remember what came out when.

The best way to keep track of your expenditures is to write them down in your checkbook register as soon as possible and go over your bank statement thoroughly at least once a month.