

## Personal Financial Literacy: Checking

### Overview

In this lesson, students will learn the benefits of checking accounts, as well as precautions one must take with these accounts. They will practice using a checking account by making deposits, writing checks, and maintaining a record of transactions. For additional lessons on Personal Financial Literacy, see *An Introduction to Financial Literacy*, *Using Credit Wisely*, and *Saving & Investing*, all located under Goals 7 and 8 in the Database of Civic Resources.

### Grade

10

### Materials

- Internet access, optional
- “Making a Deposit” handout, attached
- “Writing a Check” handout, attached
- Mock deposit slips, attached
- Transaction register, attached
- What I Have to Sell cards, attached
- “Keeping a Running Balance” activity, attached

### Duration

60-90 minutes

### Procedure

1. Ask students to brainstorm reasons why someone might want to open a checking account. In other words, what are the benefits of using checks instead of cash? After students have had an opportunity to respond, fill in what they may have missed. Some reasons to open a checking account include:
  - Safety: You may not feel safe walking around with a lot of cash. Additionally, a stolen ATM/debit card or stolen checks can be replaced, while stolen cash is simply gone.
  - Convenience: If you use an ATM card or checks you do not always have to have cash to make a purchase. Also, it’s a bad idea to send cash through the mail to pay bills. Finally, you can usually access your checking account easily by using your check/debit card.
  - Easier Budgeting: A checking account can help you budget your money. When you use your check register to record debit card transactions or checks you have written, you are automatically keeping track of where your money is going, making it easier to track your spending habits.
  - Proof of Payment: Checks are written proof that you made a payment to someone. Each time you write a check that “clears” (the money is taken from your account), there is a record of it. If anyone ever challenges that you did not make a payment, you can always use your check transaction record to prove it.
  - Additionally, you might be someone who knows that cash in your pocket is too easily spent. Having a checkbook instead of cash might help you to be less impulsive in your purchases, saving you money in the long-run.
  
2. Opening a checking account is an easy thing to do. However, not all checking accounts are created equal. There are some important factors to consider when opening a checking account. Ask students if they can think things they would want to consider when opening a checking account. Explain each of the following:

- Location: branch offices; hours of operation; availability of ATMs
- Fees: monthly fees; per check fees; printing of checks; balance inquiry fees; ATM fees
- Other charges: overdraft charge; stop-payment fees; certified check fees
- Interest: rate earned; minimum deposit to earn interest; compounding method; fee charged for falling below necessary balance
- Restrictions: minimum balance; deposit insurance; holding period for deposited checks
- Special features: direct deposit; automatic payments; overdraft protection; online banking; discounts or free checking for students, seniors, or employees of certain companies

Once you decide that you want a checking account, you will need to actually “open” it. In order to do so, you will usually need to bring 2 forms of identification and whatever money you want to deposit to the bank. You will fill out some paper work, and about a week later, you should receive a box of checks in the mail, preprinted with your name and address, along with a check register to record your transactions.

- **Optional Activity:** Either individually or in partners, instruct students to go onto the Internet and research various banks and the checking accounts they offer. Have students search for which bank they feel offers the checking account that is the best deal for them. Have them summarize the information above, then report back to class. As students report back, track the details of the various bank’s accounts on the board to compare/contrast the decisions students made.
3. Now that you have your checks, what do you need to know? There are a few precautions that students need to be made aware of:
    - Most importantly, students must understand that writing a check is like writing a binding contract. When you sign the bottom of a check, you are agreeing to pay the specified amount on demand. If you write a check that you do not have enough funds to cover, you stand to lose even more money in the end than the check was written for. Why? Because when you “bounce” a check, you usually must pay the person or business a fee on top of what you already owe them (most businesses charge a “Returned Check Fee” of \$25). Also, most banks charge an additional fee for having to cover your expense (unless the bank has overdraft protection). In sum, if you bounce a check written for \$25, you are likely to end up paying upwards of \$75!
    - Always write checks in ink.
    - Once you endorse a check (sign the back of it), anyone can cash it. So you should never endorse checks you plan on depositing later. As an added measure, some people write “For Deposit Only” below their endorsement.
    - Keep unused checks in a place where others will not have easy access to them.
    - Check your statement regularly to make sure there was no unauthorized activity. Make sure everything on your statement matches everything in your register (to be discussed momentarily). Most banks offer online statements that are updated almost daily.
  4. Distribute/Present “Making a Deposit” and “Writing a Check” handouts. Go over each section of deposit slip and check with class. On the board or overhead, fill in a deposit slip and check to serve as an example for the next activity.
  5. Give each student 1 deposit slip, 4 blank checks, and a transaction register. Write the following on the board:

To deposit: -Cash: \$200.00 -Checks: Check #9283: \$187.58 (paycheck) Check #738: \$12.42 (rebate check) Check #342: \$50.00 (gift from relative)
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Have students individually fill out deposit slips and check registers (the first deposit has already been filled out as an example), referring to their “Making a Deposit” handout if necessary. Spot check to make sure they are filling them out correctly. When all students have finished, go over register as a class (at this point, everyone’s register should be identical). Distribute the “What I Have to Sell” cards. Explain that students now have \$450 in their “checking accounts.” Their task is to take 12 minutes to find 2-4 people that have an item for sale they would like to purchase. They are to purchase that item using a properly filled out check. (Students should assume they have unlimited “items” to sell as listed on the card they receive. In other words, several students can purchase the same item from the seller). Every time a transaction takes place, both the buyer and seller should properly document it in their transaction record. Encourage students to check each other’s transaction records. When time is up, have students take an extra minute to “balance” their checkbooks.

- Check/Debit cards have become an increasingly popular alternative to writing checks. In fact, when you open up a checking account, you will more than likely receive a check card in addition to a checkbook. Compared to checks, there is less to carry around and transactions usually go faster. The difference between a check card and a credit card is that with a check card, you can only spend money you already have in your account instead of money you will earn and payback later. The rights and responsibilities with a check card are virtually the same as those with a checking account, with the added responsibility of memorizing and protecting your PIN number and immediately reporting when a check card is lost or stolen.

### Culminating Activity

- “Keeping a Running Balance Activity” (see attachment). You may want to assign this for homework.

### Sources

- Davis, James E., and Phyllis Fernlund. Civics and Economics. Needham, Massachusetts: Prentice Hall, 2003.
- <http://www.practicalmoneyskills.com/>

### Making a Deposit

(Source: www.practicalmoneyskills.com)

322-21 1610		<b>Your First Bank</b> <i>Anytown, USA</i>			
1	DATE				
SIGN HERE IN TELLER'S PRESENCE FOR CASH RECEIVED					
		<b>CASH</b>	<b>CURRENCY COINS</b>		
		<b>LIST CHECKS SINGLY</b>			
		<b>TOTAL FROM OTHER SIDE</b>			
		<b>TOTAL</b>			
		<b>LESS CASH RECEIVED</b>			
		<b>NET DEPOSIT</b>			
:9124 6027 486586519 30937 3620000 108					

- Write the date you are making the deposit in this field.
- If you are depositing currency (paper bills), write the total amount here.
- If you are depositing coins, write the total amount here.
- If you are depositing a check, write the bank transit number here, which is the top portion of the two-part number printed in the upper corner of the check.
- Write the amount of the check here.
- If you are depositing more checks than can be listed on the front, continue to list them on the back, and write the total amount of the checks on back here.

7. Write the total amount you are depositing here.
8. If you are making a deposit inside a bank with a teller and you want to receive cash back from your deposit, write the amount you want in this field.
9. Write the total amount (less cash back) of your deposit in this field.

### Writing a Check

(Source: [www.practicalmoneyskills.com](http://www.practicalmoneyskills.com))

The diagram shows a check from "Your First Bank, Anytown, USA". The check number is #127. The date is 3/22/21. The amount is \$20. The payee is John Doe, 2111 Elm Street, Anytown, USA. The MICR line is :9124 6027 486586519 00523 7534964 127. The memo field is blank. The check is annotated with numbered callouts: 1 (Date), 2 (Payee), 3 (Amount in numerals), 4 (Amount in words), 5 (Name and address), 6 (Memo), 7 (MICR line), and 8 (Check number).

1. **Date:** Enter the date you are writing the check.
2. **Payee:** Enter the name of the person or the company you are going to give the check to.
3. **Amount of check in numerals:** Enter the amount of the check, in numbers. Don't leave any space between the pre-printed dollar symbol (\$) and the numbers indicating the amount of the check; there should be no room for someone to add in extra numbers.
4. **Amount of check in words:** Enter the amount of the check in words. Start writing at the far left side of the line. Follow the dollar amount by the word "and," then write the amount of cents over the number 100. Draw a line from the end of the 100 to the end of the line.
5. **Name:** Your personal information is printed here. Never list your Social Security number on your printed check.
6. **Signature:** Sign your check exactly the way you signed your name on the signature card you filled out when you opened your account.
7. **Memo:** Use this space to note why you wrote the check. If you are paying a bill, this is a good place to put information requested by the company.
8. **Identification numbers:** These numbers are used to identify the bank, your account number, and the check number. They are printed in a special magnetic ink that machines can read.

**Deposit Slips**

<p>322-21 1610</p> <p><b>1Your First Bank</b> <i>Anytown, USA</i></p> <p>DATE _____</p> <p>SIGN HERE IN TELLER'S PRESENCE FOR CASH RECEIVED</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td rowspan="2" style="width: 15%;"><b>CASH</b></td> <td style="width: 15%;">CURRENCY</td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> </tr> <tr> <td>COINS</td> <td></td> <td></td> </tr> <tr> <td colspan="4">LIST CHECKS SINGLY</td> </tr> <tr> <td colspan="4"> </td> </tr> <tr> <td colspan="4">TOTAL FROM OTHER SIDE</td> </tr> <tr> <td colspan="4" style="text-align: center;"><b>TOTAL</b></td> </tr> <tr> <td colspan="4">LESS CASH RECEIVED</td> </tr> <tr> <td colspan="4" style="text-align: center;"><b>NET DEPOSIT</b></td> </tr> </table> <p style="text-align: center; margin-top: 10px;">:9124 6027 486586519 30937 3620000 108</p>	<b>CASH</b>	CURRENCY			COINS			LIST CHECKS SINGLY								TOTAL FROM OTHER SIDE				<b>TOTAL</b>				LESS CASH RECEIVED				<b>NET DEPOSIT</b>			
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Checks

**Your First Bank** *Anytown, USA* #127  $\frac{322.21}{16\%}$   
\_\_\_\_\_ **20** \_\_\_\_\_

PAY TO THE ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ DOLLARS

John Doe  
Mary Doe  
2111 Elm Street  
Anytown, USA

MEMC \_\_\_\_\_

:9124 6027 486586519 00523 7534964 127

**Your First Bank** *Anytown, USA* #128  $\frac{322.21}{16\%}$   
\_\_\_\_\_ **20** \_\_\_\_\_

PAY TO THE ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ DOLLARS

John Doe  
Mary Doe  
2111 Elm Street  
Anytown, USA

MEMC \_\_\_\_\_

:9124 6027 486586519 00523 7534964 127

**Your First Bank** *Anytown, USA* #129  $\frac{322.21}{16\%}$   
\_\_\_\_\_ **20** \_\_\_\_\_

PAY TO THE ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ DOLLARS

John Doe  
Mary Doe  
2111 Elm Street  
Anytown, USA

MEMC \_\_\_\_\_

:9124 6027 486586519 00523 7534964 127

**Your First Bank** *Anytown, USA* #130  $\frac{322.21}{16\%}$   
\_\_\_\_\_ **20** \_\_\_\_\_

PAY TO THE ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ DOLLARS

John Doe  
Mary Doe  
2111 Elm Street  
Anytown, USA

MEMC \_\_\_\_\_

:9124 6027 486586519 00523 7534964 127



**“What I Have to Sell” Cards:**

<p align="center"><b>Michael Jordan signed jersey: \$94.79</b></p>	<p align="center"><b>Years subscription to Sports Illustrated Magazine: \$55.89</b></p>	<p align="center"><b>Nintendo Wii: \$295.14</b></p>	<p align="center"><b>Exxon gas card: \$50.00</b></p>
<p align="center"><b>Gift certificate for use at any store in the local mall: \$75.00</b></p>	<p align="center"><b>4 movie tickets that can be used for any movie: \$37.50</b></p>	<p align="center"><b>Total spa package including makeover and massage: \$145.40</b></p>	<p align="center"><b>Cappuccino/Espresso maker: \$78.50</b></p>
<p align="center"><b>Roundtrip plane ticket to New York City: \$171.42</b></p>	<p align="center"><b>Set of guitar strings: \$15.89</b></p>	<p align="center"><b>Choice of any 5 CDs from Amazon.com: \$32.66</b></p>	<p align="center"><b>New basketball: \$23.90</b></p>
<p align="center"><b>2 Tickets to the next school dance: \$30.00</b></p>	<p align="center"><b>Box of assorted gourmet chocolates: \$17.97</b></p>	<p align="center"><b>Nice piece of jewelry for your significant other: \$82.12</b></p>	<p align="center"><b>Bicycle tune-up: \$20.92</b></p>

**Culminating Activity: Keeping a Running Balance**  
*(Adapted from [www.practicalmoneyskills.com](http://www.practicalmoneyskills.com))*



**Record deposits and keep a running balance in the checkbook register below.**

1. On May 26, your balance is \$527.96.
2. On May 27, you write check #107 to your landlord, Mrs. Wilson, for \$226.00.
3. On May 28, you use your check card at Foodland for \$22.52.
4. On June 1, you write a check for \$156.32 to Bank of Illinois for your car payment.
5. On June 1, you realize your check to the Bank of Illinois should have been for \$165.23, so you void the first check and write a new check for \$165.23.
6. On June 2, you write a check to Interstate Phone Service for \$62.77.
7. On June 2, you use your ATM card to withdraw \$20.00.
8. On June 15, your paycheck for \$425.00 is automatically deposited.
9. On June 15, you use your check card at Gifts Plus to buy a \$18.99 birthday present for your friend.
10. On June 15, you write a check for \$246.45 to State Ranch to cover your insurance premium.
11. On June 22, you transfer \$100.00 online from your checking account to your savings account.
12. On June 24, you use your check card at Gas Up to fill up your car. You spend \$12.88.
13. On June 28, you use your ATM card to withdraw \$30.00 from your checking account.

Transaction Register							
Transaction Type/Check #	Description	Date	Debits (-)		Credits (+)		Balance

Name: \_\_\_\_\_

Use the transaction register you just completed to answer the following questions:

1. What was your account balance on May 30?
2. Could you have paid your car insurance payment on June 1 instead of June 15? If not, why?
3. The love of your life has been in a bad mood lately, and you think an expensive present might help. You've found a leather jacket on sale for \$189.00. Can you afford to buy the jacket on June 8? What will your account balance be if you do?
4. Your favorite movie was just release on Blu-Ray. It costs \$21.99. Can you afford to buy the CD on June 2? What will your account balance be if you do?
5. What was your account balance after you withdrew \$30.00 on June 28?
6. What was the amount of check #111, to whom did you write it, and for what?

**ANSWER KEY:**

Transaction Register								
Transaction Type/Check #	Description	Date	Debits (-)		Credits (+)		Balance	
							527	96
107	Mrs. Wilson Rent	5/27	226	00			301	96
Check Card	Foodland groceries	5/28	22	52			279	44
108	Bank/Car payment	6/1	156	32			123	12
109	Bank/Car payment	6/1	165	23			114	21
110	Phone	6/2	62	77			51	44
ATM	Cash withdrawal	6/2	20	00			31	44
ATM	Deposit paycheck	6/15			425	00	456	44
Check Card	Gift + mom's bday	6/15	18	99			437	45
111	Insurance	6/15	246	45			191	00
ATM	Transfer to savings	6/22	100	00			91	00
Check Card	Gas	6/24	12	88			78	12
ATM	Cash withdrawal	6/28	30	00			48	12

1. \$279.44
2. No—the payment was \$246.45 but the account balance on June 1 was only \$114.21
3. No—the account will be overdrawn by \$157.56
4. Yes--\$9.45
5. \$48.12
6. \$246.45 to State Ranch for a car insurance payment