



Four Reasons You Should Balance Your Checkbook Monthly

Be honest. Do you faithfully balance your checkbook to the penny each month? Balancing your checkbook is one of the most basic habits for good money management, yet millions of Americans don't do it on a regular basis. I've met people who never record the pennies on the checks they write; people who enter bogus amounts in their check register to "fool" themselves into thinking they have less money than they really do so they can be pleasantly surprised later, or to provide a cushion for errors; people who only balance their checkbook once a year when they do their taxes.

Is balancing your checkbook an old-fashioned task that is no longer necessary? Here are four reasons you should balance your checkbook monthly:

1. Balancing your checkbook is a method of verifying that your records (your checkbook register) match the bank's records, as shown on your monthly bank statement. This will always be an important task, although the method of accomplishing it is changing in the electronic age.
2. Although your bank processes thousands of transactions accurately, it can make mistakes, and you typically have only 60 days in which to inform the bank of the error. If you don't balance your checkbook monthly, you might not even find the error in 60 days. Even more likely is the possibility that you made a math error in your checkbook register, which you're unlikely to find unless you balance your checkbook each month.
3. If you make a mistake or forget to post an ATM withdrawal, debit card purchase, or other transaction in your checkbook register, you may start bouncing checks and incurring fees, which are often \$25 or more for each returned check. If you don't correct the problem quickly, you can often incur a number of returned check fees or more than one fee for the same check if the person the check was written to re-deposits it right away in the hopes that your balance will now cover the sum.
4. If there is a problem at some point, it's much more difficult to wade through months of transactions to figure it out. If you've balanced your checkbook every month, the most you'll ever have to do is look at the most recent month's transactions. Sometimes people make such a mess of their checkbook by not balancing regularly that they have to close out their account and open another one.

Unfortunately, the basic money management task of balancing our checkbooks is not taught in most schools and usually not taught by our parents. If you're just starting out on your own, or you have your first bank account, or you just never got in the habit of balancing your checkbook regularly, the next pages include simple, step-by-step instructions for doing it, and an easy-to-use checkbook balancing form.