ANALYZE: Overdraft Fees

An overdraft occurs when you don't have enough money in your bank account to cover a transaction. To avoid fees, know how much money is in your bank account and what happens if you overspend.

Part I: Calculate the Fees

Joshua has a checking account at Grand Spire National Bank with three overdraft options. He conducts the following transactions:

	Joshua's Day
1	6:00 am: Starts off with $116 in his checking account and $200 in his linked savings account
2	7:30 am: Buys his cousin a round trip bus fare for $4 using his debit card
3	7:40 am: Gets $43 of gas using his debit card
4	8:30 am: A $75 check he wrote for his senior yearbook clears and is deducted from his account
5	9:00 am: Debit card charged monthly $10 Netflix subscription fee
6	3:30 pm: Buys a $3 coffee with his debit card
7	4:45 pm: $40 eCheck for cell phone bill is withdrawn
8	6:30 pm: Buys new soccer gear for $25 using his debit card at the store

1. For each overdraft option, decide if the transactions in Joshua's day are accepted or declined. Identify any fees he might be charged.

Option #1: No Coverage • Transactions are declined if there are not sufficient funds in the account • **Fee:** $35 Non Sufficient Fund (NSF) Fee for each check or eCheck/ACH transaction that is declined			
Step	**Transaction Outcome** (Circle One)	**Running Balance**	**Fee Charged**
1	Starts the day with $116 in his checking account		
2	Accepted / Declined		
3	Accepted / Declined		
4	Accepted / Declined		
5	Accepted / Declined		
6	Accepted / Declined		
7	Accepted / Declined		
8	Accepted / Declined		
Total Fees:			
Total Ending Balance:			

Option #2: Overdraft Coverage • All transactions accepted • **Fee:** $35 for each transaction (including checks) that exceeds the available balance • **Limit:** 3 overdraft fees per day			
Step	**Transaction Accepted** (Circle One)	**Running Balance**	**Fee Charged**
1	Starts the day with $116 in his checking account		
2	Accepted / Declined		
3	Accepted / Declined		
4	Accepted / Declined		
5	Accepted / Declined		
6	Accepted / Declined		
7	Accepted / Declined		
8	Accepted / Declined		
Total Fees:			
Total Ending Balance:			

Option #3: Overdraft Protection • All transactions accepted • Money will be transferred in $50 increments from a linked Grand Spire savings account • **Fee:** A $10 transfer fee will be applied to each transfer				
Step	**Transaction Accepted** (Circle One)	**Running Balance**	**Fee Charged**	**Savings Account Balance**
1	Starts the day with $116 in his checking account			$200
2	Accepted / Declined			
3	Accepted / Declined			
4	Accepted / Declined			
5	Accepted / Declined			
6	Accepted / Declined			
7	Accepted / Declined			
8	Accepted / Declined			
Total Fees:				
Total Ending Balance:				
Total Ending Savings Account Balance:				

Part II: Analyze the Bigger Picture

2. Which of Joshua's overdraft options minimizes fees? What are the downsides of this choice?

3. Which overdraft option makes it easiest for Joshua to know he has overdrawn his account?

4. Choose one of the banks and research their overdraft policies to fill in the table below.
    a. Chase
    b. Bank of America
    c. Wells Fargo
    d. Citibank
    e. US Bank

Bank	NSF Fee Amount	Overdraft Coverage Fee Amount	Overdraft Protection Fee Amount

5. Which overdraft option would you choose for your checking account? Explain.