

Know your overdraft options

An overdraft occurs when you spend or withdraw more money than is available in your checking account. Banks or credit unions can advance you money to cover the shortfall and charge you a fee.

If you regularly pay overdraft fees, there may be steps you can take to reduce or eliminate them.

Three options to consider

1. **Make your choice on debit and ATM overdraft coverage.** Without overdraft coverage, your debit card will be declined if you don't have enough money in your account to cover a purchase or ATM withdrawal. But you won't incur fees either.
2. **Link your checking account to a savings account.** If you overdraw your checking account, money will be taken from your linked savings account to cover the difference. You may be charged a transfer fee each time this happens, but it is usually much lower than the fee for an overdraft.
3. **Ask your financial institution if you're eligible for a line of credit.** You may also be able to link overdraft coverage to your credit card. You may have to pay a fee when the credit line is tapped, and you will owe interest on the amount you borrowed, but this is still a much cheaper way to cover a brief cash shortfall.

What you should know about overdraft fees

- Institutions can't charge you for overdrafts on ATM or point-of-sale debit card transactions unless you have opted in.
- Overdraft fees can cost between \$30 and \$35 per transaction.
- Banks and credit unions can charge you several overdraft fees per day (although some financial institutions set daily maximums).
- Many financial institutions also charge an additional extended overdraft fee if you fail to repay the shortfall within a few days.

Change your mind?

You can change your overdraft decision at any time. Just let your financial institution know.

Tips to avoid overdrafts:

- Track your balance carefully.
- Sign up for low-balance e-mail or text message alerts.
- Know when regular electronic transfers, such as rent, mortgage payments or utility bills, will be paid, and how much they will be.
- Know when the money you deposit will be available for your use.