

# WHY YOU NEED TO BALANCE YOUR CHECKING ACCOUNT

by - Kitty Karr, Accountant

While many have turned to online banking and using smartphone apps, balancing or reconciling checking accounts has become seemingly outdated. However, it's still important to go through the process. First, it's helpful to define these two terms which might be unfamiliar to those who don't use paper checks, cash withdrawals or a check register.



Balancing a checking account shows how much money is available. To balance an account, add all your deposits to the beginning balance for an account's statement period and subtract from the subtotal checks you've written, ATM and debit card transactions, cash withdrawals and bank fees. This will determine the ending balance on a given date. A current balance can be calculated at any time.

Reconciling a checking account compares the bank's records to the account holder's check register to discover errors or unauthorized activity. Your check register should contain a running total of all the transactions. To reconcile an account, add all of the deposits the bank has not yet credited to the balance and subtract all the payments, withdrawals and bank fees the bank has not yet cleared

from the subtotal to confirm the bank's records match the check register. Accounts typically are reconciled on a monthly basis.

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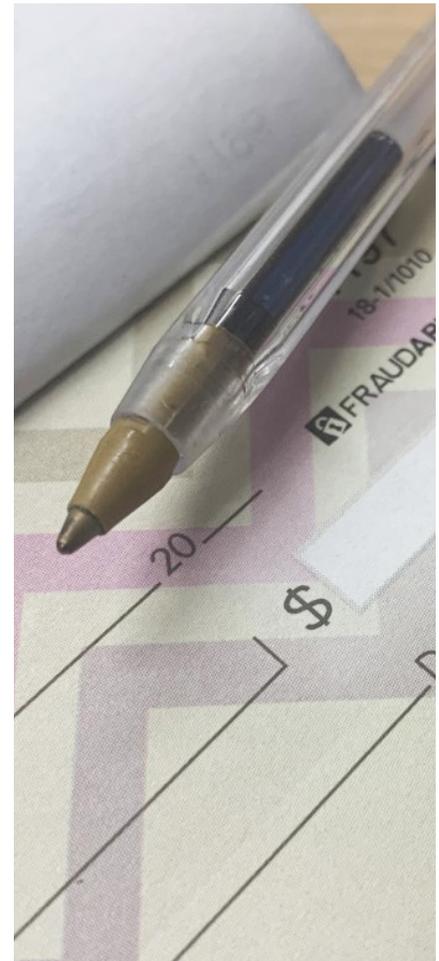
Balancing, in the past, was crucial in keeping track of checks which had already been written, but could take a week or more to be processed through the banking system. Reconciling was important to check to make sure the bank did not make any errors, such as double-posting a check so the amount was withdrawn twice. Both of those purposes are now archaic as technology has speeded up check processing and bank errors are rare.

Money management, though hard at times, is an important concept to keep in mind. Paying attention to checking account statements and the balance regularly helps people manage their money better. For example, Tracy St. John, founder of Financial Avenues LLC, a fee-only financial planning firm in Kansas City, MO, offers this real life example. She says one client of hers wrote a check to purchase gymnastics lessons for her child after having confirmed she had enough funds in her account, but also after having forgotten she already had written and neglected to record another check for another purpose. The extra spending exhausted funds that had been earmarked for the child's gymnastics tuition, an account that later went to collections.

Another important reason to

balance, reconcile and review your account is to spot financial management mistakes and fraudulent activity. You should look for unfamiliar transactions, forgotten expenditures, recurring deductions for unwanted products or services and bank fees. Most people are not naturally wired to constantly check their spending habits which could lead to problems later on down the road if not monitored.

Though it may seem like a big task to balance and reconcile your checking account, in the end it will all be worth it. If you have any questions or concerns, consulting your bank or accountant is the best step to take.



Source: Marcie Geffner at Bankrate.com