

Keeping the Bank in Balance – by Dan Sautner

Unless you keep your cash in the sock/mattress vault, you have to work with the monthly bank statement. The balance on that statement and the amount of money you actually have available are only the same by sheer coincidence. The following is a course of action designed for you to get some control over this information and to give you assurance as to how much cash is available. You are just as responsible as the bank is at getting the right balance.

To prevent errors from causing you any embarrassment, always check your deposit receipts at the teller's window to ensure that the bank gave you proper credit. Double-check that you have recorded the proper amount for each check that you write and record those charges that go through the bank automatically. Of key importance is to balance your checkbook immediately after receiving your bank statement. It's not too difficult to do:

1. Verify all of your deposits to be sure that your figures and the bank's agree.
2. Verify all of the checks that cleared to confirm that the proper amount was deducted from your account. Also crosscheck any automatic withdrawals and ATM transactions (and that you recorded the correct figure).
3. List all of the checks that have not cleared yet as of the statement date.
4. List the deposits made after the statement date.
5. Deduct from your checkbook balance all bank charges, including monthly service charges, check book printing, overdraft charges, ATM charges, misc. fees, etc.
6. Add into your balance any bank credits, such as reversals of previous charges. (If both a charge and its reversal occur in the same statement period, then you can ignore them.)
7. Take your balance, after the bank charges and credits, add the outstanding checks (#3), deduct the outstanding deposits (#4) and this figure should equal the bank's figure at the end of the statement period.

Your Checkbook Balance
- Bank Charges(#5)
+ Bank Credits(#6)
+ Outstanding Checks(#3)
- Outstanding Deposits(#4)
Should = Ending Balance of statement

If you don't agree, use a printing calculator to double-check your addition and subtraction. Double-check to be sure that you carried the correct figures from page to page. Does the difference amount look familiar? If the difference amount is divisible by nine evenly, perhaps a figure was entered incorrectly. This is called a transposition error, and why it is divisible by nine is a mystery best left to the math club. A transposition error is when you mix up the order of a number, such as writing

123 as 213. The difference can be divided by nine. If you still can't find the error, go over steps one through seven again. One common error is missing an outstanding check from a couple of months back. Perhaps you can have someone else in your company go over the checkbook for a different perspective. Another suggestion is to check that the actual amount the check was cashed for equals what you recorded in your books. Another situation is that the bank cashes the check for an amount other than the face value, but this is very rare.

If you're still stuck, now is the time to go into the bank and ask for their help in finding the error. Don't accuse the bank of making the error. More often than not, it's not the bank's fault. Ninety-five percent of the errors are made by the customers and some of the bank's errors should be caught by the customer at an earlier time, before any damage is done. It's your responsibility to check your receipts and to balance your checkbook each month in a timely manner.

When trying to help you, the bank personnel will assume that you had balanced your statement the previous month and that it was OK at that time. If the bank employee cannot find an error, you should feel safe in assuming that the bank's figure is correct. This means you will have to adjust your check balance and move forward. These errors can always be found, but there comes a point at which there are diminishing returns. If all else fails, start from the last month you reconciled your bank and recreate the balance.

One unusual source of error is when a check that you wrote last year finally makes an appearance at your bank. You may have missed it on your outstanding list and now it throws you out of balance. This brings us to another point, and this is that there are no laws with regard to how long a check is good for unless it's stated on the check. Bank practices vary; some say one year, some say three months, (the most common is six months) but these are just guidelines. Banks are not required to return checks if they're older than the bank's policy. Also, there's a misconception about post-dated checks. There are no laws requiring a bank to refuse to cash a check if it's postdated. It is, however, against the law to write a check, no matter what date you put on it, if you do not have enough funds in the bank to cover it when you write it.

Back to your checkbook errors. If it is shown that the bank's error has caused checks to be returned, ask the bank manager to write letters to the payees explaining that it was a bank error that caused the check to be returned and not your fault. Also, if they don't volunteer to do so, ask the bank to reverse the overdraft charge(s) as well as credit you with the charges of your payee. Also ask if they can remove this overdraft from your record. Remember - ask for these things to be done. The bank personnel are only human-they'll respond to you as you treat them. If you are antagonistic, they will more than likely refuse to help you. If you're pleasant and don't demand, they'll go out of their way to help.

On the whole, handling your bank balance is best done on a monthly basis. This way, you control the number of possible errors and these numbers are still familiar to you. Generally speaking, a bank reconciliation should take about thirty-five minutes for a company that writes about fifty checks a month. This is a worthwhile investment of your time.

In conclusion, watch your bank balance. The old joke about how it is impossible to bounce a check while you still have checks works well in sit-coms; it is a problem in the real world, though. Use the

methods we have suggested here and keep on top of this important asset.