New insights on bank overdraft fees and ways to avoid them

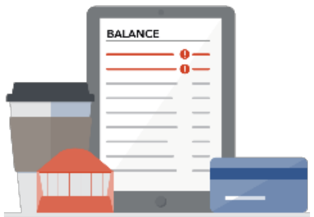
From the Consumer Financial Protection Bureau

If you have a bank account, at one point or another, you might have had to deal with an overdraft fee. An overdraft occurs when you don't have enough money in your account to cover a transaction, but the bank pays for it anyway. Transactions include ATM withdrawals and debit card purchases as well as checks and online payments.

Generally, if you overdraw on your account, your institution's overdraft program will pay for the transaction and charge you a fee. Your bank will also require you to repay the overdraft amount out of your next deposit. *Note: Banks and credit unions cannot charge fees for ATM and most debit card overdrafts unless you have opted in to consent to fees on these types of transactions.* For most banks, the overdraft fee is a fixed amount regardless of the amount of the transaction, and you could incur several fees in a single day. In addition, most institutions charge fees for attempted check and online payments returned for non-sufficient funds (NSF fees).

Here are some tips from the CFPB to help you reduce or avoid overdraft and NSF fees:

1. Don't "opt-in" to debit card-based overdraft: your bank or credit union can't charge you a fee for an overdraft with your debit card or at an ATM unless you "opt-in" to overdraft coverage for these transactions.



2. Link your checking account to a savings or money market account at your bank or credit union: if you run out of money in your checking account, the bank will pull money from the account you've linked it to when needed to cover new transactions. Note that many institutions charge fees for sweeping funds from a linked account but those fees are generally lower than per item fees for overdrafts or NSFs.
3. Track your balance as carefully as you can, and if your bank or credit union offers them, sign up for low balance alerts to know when you're at risk of overdrawing your account.
4. Switch to a checking or prepaid account that does not authorize overdrafts. Note that some accounts that do not authorize overdrafts still charge NSF fees for returned checks and electronic (ACH) payment attempts.

Source: Consumer Financial Protection Bureau

What You Need to Know about Joint Bank Accounts

AARP and the **American Bankers Association Foundation** are making adults over 50 years old who are considering joint bank accounts aware of potential hazards.

Joint bank accounts are often viewed as an easy way to give financial caregivers the ability to manage money on behalf of older adults. In some cases, they are used so the co-signee inherits the funds upon death of the primary account holder. However, both parties rarely understand the risks associated with joint accounts or the alternatives available to them.

"Setting up a joint account essentially removes the financial firewall between both parties," said Corey Carlisle, senior vice president, bank community engagement. "There are often alternatives available that will protect the assets of older customers, as well as those of financial caregivers."

"At any age, joint accounts may work for some, but we urge you to use caution before signing on the dotted line," said Debra Whitman, Chief Public Policy Officer, AARP. "If you don't look before you leap, you could fall into trouble with your finances."

Before deciding if a joint account is right for you, you should consider the following factors:

- **The co-signee becomes financially responsible for taxes on the account**. That means should the primary account holder owe the government back taxes at any point, the co-signee would be just as responsible to the IRS for that money.
- **The money is just as much theirs as it is yours**. Once someone is listed as a joint-account holder, the co-signee and the primary account holder own that money equally in the eyes of a financial institution. Both parties will have the ability to withdraw funds whenever they see fit.

- **Creditors can come after those funds**. If an account owner were to incur major medical bills, or face a lawsuit, the funds in the joint account could be used as an asset. A creditor might not differentiate between primary account holder and co-signee.

Rather than using a joint account as a way to allow another to watch your account for fraud, consider opening a *view-only* account. A view-only account allows you to give someone you trust, like a loved one, the ability to monitor your account without having access to the money.

View-only access could be as simple as receiving an extra bank statement in the mail or asking your bank to provide online access without the ability to make a transaction.

AARP and the ABA Foundation are collaborating to protect older Americans from financial abuse and exploitation. As a part of this effort, AARP and the ABA Foundation will create resources such as the above infographic to educate older Americans and their caregivers about ways to protect their assets and their loved ones' assets, as well as conduct separate research on how banks are addressing fraud and exploitation issues, whether there is a consumer draw to banks that prevent fraud and exploitation, and provide financial caregiving banking tools.

Note: The recommendations herein do not constitute professional financial advice. Please consult a financial advisor before making financial decisions that may affect your future.

Article and Info Graphic Source: AARP and American Bankers Association. Used with permission.

Joint Bank Accounts—the Pros and Cons

✓ A straightforward way of sharing money and managing expenses, such as bills and mortgage or rent payments.

✓ Some couples find that having a joint account – and having clear guidelines for how to manage it – can help prevent arguments about money.

? **If you have any doubts about whether to set up a joint account, don't do it. Even if you want to split everything 50:50, you don't need a joint account to do this.**

(www.Moneyadviceservice.org)

✗ You lose some privacy. If you use the account for personal expenses, the other account holders can see the transactions.

✗ If one of the account holders takes money out of the joint account, there aren't many options for getting it back.

✗ If the account becomes overdrawn, each joint account holder is responsible for the whole of the money owing; so you could become liable for repaying the other person's debt.