

# OVERDRAFTING YOUR BANK ACCOUNT

## WHAT HAPPENS?

### WHAT IS OVERDRAFTING?

An overdraft occurs when there is a transaction that takes the balance of your bank account below zero. This can put you in a financial pinch.

### THEN WHAT HAPPENS?

A few different things can happen.

Your bank could charge you an overdraft fee. These are steep and will continue to add up if you continue to make transactions while your account is negative. Funds from another bank account you own could be used to cover the transaction, you'll still pay a small fee for the transfer. Last, your bank could refuse the transaction and say you have insufficient funds and charge you a fee.

### WHAT TO DO?

- Transfer money to cover the expense and add a cushion to your account.
- Pay your fees! Failure to pay the fees could lead to worse consequences - financial and legal.
- If it is your first overdraft, you can try asking the bank to waive the fee based on your past financial promptness.

### HOW TO AVOID THIS?

It is imperative to understand the overdraft arrangement you have with your bank. To avoid overdrafting or insufficient funds, there are many things you can do.

Check your bank account regularly, at some institutions you can sign up to receive an alert when your balance is low, revisit your budget to ensure you are properly spending and saving, and consider building an emergency fund.