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# DOING BUSINESS AT THE BANK

by FRANCES STALLARD

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# Doing Business at the Bank\*

By FRANCES STALLARD

Today handling money wisely is very important in every household. Family living expenses now take a large share of the money earned. Skill in handling family finances is as important as the ability to earn money.

A knowledge of banking methods is needed to do a good job of running the family business. This publication is designed to help the family look after its banking business with more understanding.

## BUSINESS AT THE BANK

Nine-tenths of all purchases are paid for by check. Metal and paper money are used only for small transactions.

The bank provides safe and convenient ways for money to be transferred. It speeds up the exchange of goods in your local community and in the rest of the world.

All national banks are members of the Federal Deposit Insurance Corporation which, in case of bank failure, insures individual accounts up to \$10,000. State banks may belong to the Federal Reserve System and as members must participate in the Federal Deposit Insurance Program. It might be well to find out whether your bank has this safeguard.

The bank is a lending agency that supplies credit for business and personal needs. Funds are loaned at interest.

Some banks have trust departments which take care of estates and give helpful advice on planning estates and their disposal.

Some banks are in position to perform other services for their customers, such as acting as a disinterested third party in handling agreements made by individuals (escrow).

More and more banks are paying utility and other bills for the convenience of their customers.

It is well to have a personal acquaintance with your banker. You should be able to discuss your money problems and plans with him

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\* This publication supersedes H.E. 5-107, "That Business of Handling Money," by Ida C. Hagman, who has retired. The current revision, prepared by Frances Stallard, has been read and approved for the purpose intended by W. L. Matthews, Jr., Dean of the College of Law, University of Kentucky; and by Edward F. G. Hessel, Arnold Johnson, Neilan Thurman, Assistant Vice Presidents, and James H. Robinson, Jr., Cashier of the First National Bank and Trust Co., Lexington, Ky.

in the same sense that you talk with the doctor about your health, with the lawyer about personal affairs, and with your pastor about your spiritual welfare.

## **CHECKING ACCOUNTS**

Checking accounts or demand deposits may be withdrawn in whole or in part at any time, simply by writing a check which directs the bank to pay the amount of money designated on the check.

### **Advantages in Having a Checking Account**

1. Payment by check is safer and more convenient than carrying or mailing money.
2. You don't need as much cash on hand; thus, there is less danger of your losing it.
3. Cancelled checks and stubs show expenditures; they are helpful in keeping records, planning how to spend money, and when making tax declarations.
4. Cancelled checks may serve as receipts for payment of bills.
5. Checks to pay bills can be mailed, and you save time and steps.
6. A checking account helps to establish a credit rating.

### **How to Open an Account**

If you wish to open a bank account and are unknown at the bank, you may be asked to furnish references, and you must sign a signature card. Thereafter your signature should always be written in the same way. This procedure will help the bank protect your account.

Accounts may be opened by business concerns, clubs, organizations, committees, trustees, guardians, executors, by an individual, or by two or more individuals.

### **Kinds of Checking Accounts**

#### **INDIVIDUAL ACCOUNT**

Only one person may draw on an individual account. At the death of that person, the account is closed. It becomes a part of his estate.

#### **POWER OF ATTORNEY**

Sometimes a person gives to another the authority to write checks on his or her account. At death, the power of attorney stops and the account becomes part of the estate.

When a married woman is given the privilege of drawing on her husband's account, the usual signature is: John C. Doe, By Mrs. John C. Doe.

## **JOINT CHECKING ACCOUNT**

A husband and wife or any two persons may open a joint checking account. If this joint checking account is made with the clear intention to create joint ownership with the right of survivorship, the survivor will take all in case either dies.

Where all the money is deposited by one of the persons, the Kentucky Court apparently will admit evidence to show that it was not the intention to create the right of survivorship. For this reason, some banks may prefer to pay the account at death to the personal representative of the deceased and the joint depositor.

In Kentucky, also, the account may be closed for a short time following death while a report of the amount is filed with the State Tax Commission.

Banks differ in their regulations about joint accounts. Be sure you know the rules of your bank.

The deposit and the signature card on such an account should show clearly whether the right of survivorship is intended and whether checks must be signed by one of the persons or both of them. Normally, the word "or" indicates that either of the persons may sign checks and withdraw money, while the word "and" indicates that both of the depositors are required to sign checks.

A joint account with survivorship properly used can be of help in case either person dies suddenly.

It is advisable to give specific direction for disposal of all joint account bank balances in your will, even when the signature card bears a printed survivorship clause. This safeguard will assure speedy availability of funds. These funds are taxable in part as a portion of the estate.

Care in using a joint account is needed to keep the other person informed. Both parties may make deposits and both may draw checks. Each may draw a portion or all of the money without the consent of the other. It is important that both persons know the balance at all times. And each should be informed of the checks the other has drawn.

### **Cost of Checking Accounts**

Most banks charge a fee to cover costs of carrying an account. It may be a definite charge per check written, or it may be a monthly charge plus so much for each check if the balance falls below a certain amount.

### **How to Use a Checking Account**

#### **HOW TO MAKE DEPOSITS**

1. Make the deposit ticket in your handwriting (Fig. 1). In many

small banks the teller makes out the deposit slips for customers. This may be the cause of unintentional errors. If you make an error on a deposit ticket, destroy it and make a new one.

2. Make sure that checks to be deposited are properly endorsed.

Deposited in The  
SAMPLE----NAME OF BANK

BY Jane Allen  
May 18 19 60

In receiving items for deposit or collection, this Bank acts only as depositor's collecting agent, and assumes no responsibility beyond the exercise of due care. All items are credited subject to final payment in cash or solvent credits. This Bank will not be liable for default or negligence of its duly selected correspondents nor for losses in transit, and each correspondent so selected shall not be liable except for its own negligence. This Bank or its correspondents may send items, directly or indirectly, to any bank including the payor, and accept its draft or credit as conditional payment in lieu of cash; it may charge back any item at any time before final payment, whether returned or not, also any item drawn on this Bank not good at close of business on day deposited.

	DOLLARS	CENTS
Currency	30	00
Silver	5	30
CHECKS		
<u>73-2</u> <u>John Jones</u>	60	75
<u>73-11</u> <u>Smith Electric Co</u> <u>(refunds)</u>	17	60
Total \$	113	65

SEE THAT ALL CHECKS AND DRAFTS ARE ENDORSED

Fig. 1

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3. Keep a record of all checks deposited and from whom they came. When a passbook is not used, duplicate tickets should be made. The teller will sign or stamp them. One will be kept by the bank, and the other will be given to you as a receipt. These should be carefully guarded.

4. List separately the amount of each check on the deposit tickets.

5. Write in the transit number of the bank upon which the check is drawn. The transit number is the hyphenated number on the check (Fig. 2). If the depositor needs or wishes to keep a record of the person who gave him the check, his name may be written under the transit number on the deposit slip or written in the passbook if one is used.

6. Add all items on the deposit ticket—silver, currency, checks. Recheck the total to see if it is correct.

7. Have the amount of the deposit entered in your passbook, or get your receipted deposit ticket.

#### **HOW TO WRITE A CHECK**

1. Write checks plainly with ink.

2. Fill in the check stub completely before writing the check. Otherwise you may forget to fill out the stub, and you may overdraw your account.

3. Date the check on the day it is drawn. Never write a future date.

4. Number each check and stub consecutively, continuing from one book to the next.

5. Write name of person or organization close to the phrase, "Pay to the order of." If space is left between payee's name and the dollar sign, fill in with a heavy or wavy line.

6. When making checks payable to officials, state the official title; for example, Mrs. Henry C. Price, secretary of Vine Grove Home-maker's Club.

7. Never make checks payable to "Bearer." Do not make checks to "Cash," except at the bank, for if lost, they could be cashed by anyone.

8. Write amount of check in figures close to the dollar sign.

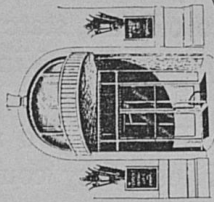
9. Write the amount in words as far to the left as possible so that another figure cannot be inserted before it to raise the amount. Fill in unused space with a wavy line. Amounts in words and figures should agree. When there is a difference between them, the bank will usually try to contact the drawer, and if this fails will probably pay the smaller amount. If it is necessary to write a check for less than a dollar, write "No dollars" and state cents as you would ordinarily.

10. Sign your name to resemble as closely as possible the signature on your signature card on file at the bank.

LEXINGTON, KY. May 18 1960 No. 21

SAMPLE CHECK---NAME OF BANK

NO. 21 \$ 55-75  
May 18 1960  
Peggy Lou Shoppe  
 FOR Coat



PAY TO THE  
ORDER OF

Peggy Lou Shoppe \$ 55-75

Fifty-Five and 75/100 DOLLARS  
 FOR Coat

Barothy B. Smith

	DOLLARS	CENTS
BAL. BRO'T FORD	325	18
AMT. DEPOSITED	113	65
TOTAL	438	83
AMT. THIS CHECK	55	75
BAL. CARD FORD	383	08

Fig. 2

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11. Never sign a blank check. If lost, the finder could fill in any amount and the signer would be liable.

12. Write briefly what the check is for. Cancelled checks and well written stubs provide a record of expenditures.

13. If an error is made, destroy the check and make a new one. Never cross out or change any written items on a check. Changes on a check confuse the banker. He fears that someone may have tampered with it. An altered or changed check is not negotiable legally.

#### HOW TO ENDORSE CHECKS

All checks made payable to a person must be endorsed by him before they can be cashed or before transferring them to another person. When you endorse a check without qualifications, you assume responsibility that the check is genuine, that you have received value for it, and that if necessary you will pay it yourself. You may hold previous endorsers responsible for payment, just as any endorser following you may hold you responsible for payment if the bank the check is drawn on should refuse to honor it.

1. To endorse a check, sign your name on the back at the extreme left end.

2. If your name is misspelled or incomplete, write your first endorsement in the same way. Beneath it write your regular bank signature (Fig. 3).

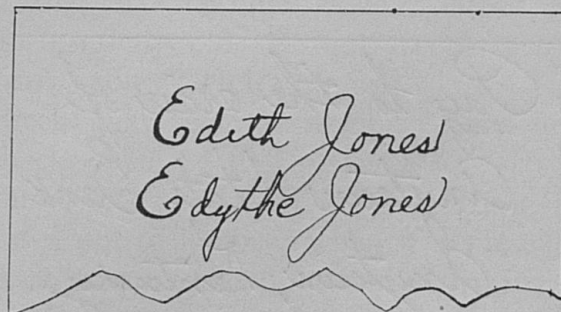
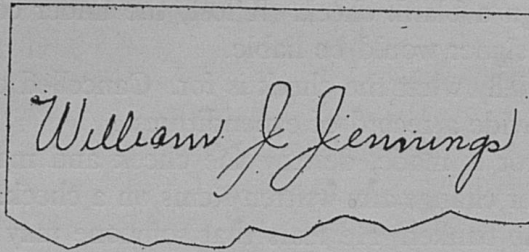


Fig. 3

#### KINDS OF ENDORSEMENTS

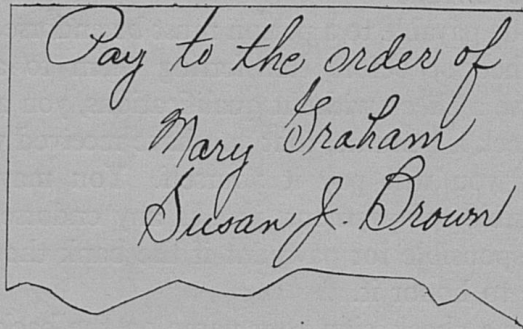
Figure 4 is a blank endorsement with only the name signed. If the check is lost the finder may cash it. Do not endorse a check in this manner until you are ready to cash it.

Figure 5 is a special endorsement. It names the person who must sign the check. It is a safeguard against loss or theft when a check is passed to someone else. Before it can be cashed, Mary Graham must endorse it also.



William J. Jennings

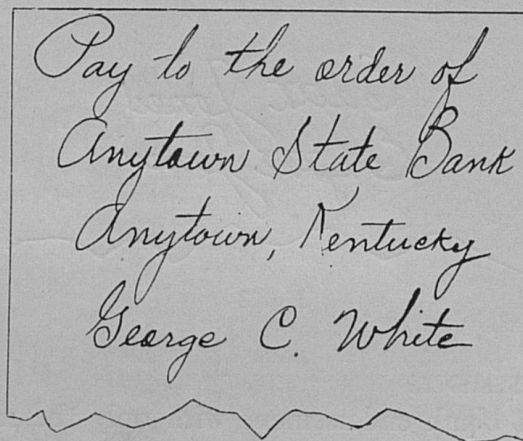
Fig. 4



Pay to the order of  
Mary Graham  
Susan J. Brown

Fig. 5

Figure 6 shows a "restrictive endorsement." It is desirable if the check is sent for deposit to the bank by mail or by another person.



Pay to the order of  
Anytown State Bank  
Anytown, Kentucky  
George C. White

Fig. 6

#### How to Use Your Bank Statement

Keep your checkbook in agreement with the balance in your account at the bank as indicated on your bank statement. Enter each

check on the check stub, and subtract that amount from the balance in your checkbook. In this way you can avoid overdrawing your account.

Once a month, get a statement of your account and your cancelled checks from the bank. Look them over carefully. If no errors are reported, the account will be assumed correct by the bank.

Subtract from your checkbook balance the amount of any service charges not recorded.

Check each paid check with your checkbook stubs. Sort the checks by numbers or by date issued. Make a list, and add the amount of all checks issued but not yet paid by the bank. Subtract this amount from your statement balance. Enter and add any deposit in transit by mail or made later than the date of this statement. This balance should be the same as your checkbook balance.

### **How to Close an Account**

When you are closing a checking account, the bank on request will return all checks which have been paid but not received by the depositor. If any checks have been written and not yet presented, funds should be left in the account to cover them. Otherwise these checks would be returned unpaid.

### **OTHER BANKING SUGGESTIONS**

Cash checks promptly, a day or two after they are received. A check held too long may become "stale." Never accept or hold a check more than 6 months old. Do not accept an old check without consulting the bank upon which it is drawn.

Cancelled checks may serve as receipts. Keep important receipts and cancelled checks at least 5 to 7 years.

Stop payment of lost checks. If a check is lost, ask the bank on which it was drawn not to honor it when it is presented for payment. Notify the bank at once by telephone and in writing, to ask that payment be stopped. Describe the check fully, giving date, amount, payee's name, and check number. On joint accounts, stop-payment orders should be signed by the person issuing the check.

Notify the bank at once if the lost check is found. When another check is issued to replace a lost check, write "duplicate" across the face of it.

Notify the bank of change of address. Your correct address should be on file at the bank at all times.

Notify the bank if you lose your passbook.

Avoid rush hours. You get better service when you avoid rush hours at the bank. The peak rush periods, as a rule, are between

11:00 a.m. and 2:00 p.m. Usually Mondays, Fridays, Saturdays, and all days following holidays are busiest. In industrial areas, the first and fifteenth of the month are payroll periods and bring an extra heavy load of work to the bank.

### HOW CHECKS ARE CLEARED

When you deposit a check which was drawn by another depositor of your bank, the bank transfers the amount of the check from his account to yours.

When the deposited check is drawn on another local bank, it is cleared at a designated time the next morning according to set arrangements. However, checks payable out of town are collected direct, or through the Federal Reserve System or a correspondent bank. It may take several days.

Provisional credit is given you as soon as you deposit a check drawn on another bank. You are not free to draw against the deposit until the check has been accepted for payment and collection has been completed.

### TYPES OF CHECKS

PERSONAL CHECKS are drawn on your checking account. For various reasons, other types of checks may be necessary.

CERTIFIED CHECKS are personal checks guaranteed by the bank upon which they are drawn. Upon request, a bank employee will sign his name and stamp "Certified" across the face of a check. The amount is transferred from the depositor's account to the bank's. A certified check is your personal check which has become the obligation of the bank, and as such must be charged to and filed in the bank's certified check account. If for any reason you need this check, sign the ticket that was used to debit your account and exchange it at the bank.

In certifying a check, the bank gives a written promise to pay it when properly endorsed. For this reason, if a certified check is lost, the bank usually requires a bond for twice the amount of the check before crediting the depositor's account or certifying a replacement check.

A certified check must not be destroyed. If you have one that will not be used, return it to the bank and deposit it for credit to your account. Endorse the check "Returned unused" and sign your name.

CASHIER'S CHECKS are safe methods of sending money by mail. They may be used by persons who do not have a bank account as well as by those who do. They are drawn on the bank in exchange

for a personal check or cash; usually a small fee is charged for the service. Payment cannot be stopped on a cashier's check unless the payee furnishes bond. Guard the check carefully. It is advisable if you purchase a cashier's check to make it payable to yourself, and endorse it over to the person for whom it is intended by special endorsement (See sample, page 10). A complete record of the transaction is thus carried by the check.

A BANK MONEY ORDER is bought at the bank. It is made out to the person who is to receive the money. It bears the name of the sender and carries a receipt for the sender. It is similar to a postal money order but less expensive. It can be cashed by the person to whose order it was made wherever he is known or can be identified.

TRAVELER'S CHECKS are one of the safest ways to carry money when traveling. They can be bought in convenient denominations of \$10, \$20, or \$50 at banks, express companies, or other agencies for a small fee. When purchased, each is signed at the top in the presence of the seller. When cashed, they are signed at the bottom while the person taking the check looks on. If they are lost or stolen uncounter-signed, your money will be refunded.

Keep a record of the serial number on the traveler's checks in a different place from the checks. This information will be needed in case you lose the checks. If the checks are lost, immediately notify the bank or company from which you bought the checks. Give the number and amount of checks lost. At the first opportunity fill out a claim form furnished by the company to the bank for this purpose.

### **SAVINGS ACCOUNTS**

Savings accounts, sometimes called thrift or time deposits, help many people get ahead financially. When a savings account is opened, a passbook will be given the depositor. In it will be entered all deposits and withdrawals. The book must be presented for all withdrawals.

A nominal rate of interest is allowed. If possible, avoid withdrawing funds just before the date when interest is due. Your bank reserves the right to require advance notice of intention to withdraw these funds. However, it is common practice to permit the depositor to withdraw these funds without notice.

### **SAFE DEPOSIT BOX**

Many banks provide safe deposit boxes at a nominal rental fee. These boxes are a safe place to keep important papers and other valuables. Boxes may usually be obtained in sizes to fit varying needs.

Two keys are given when the box is rented. The keys should be safeguarded. If they are lost, it is necessary to drill the old lock out and provide a new one, and the expense is paid by the renter. To enter your box, a guard key kept by the bank and your key are needed to open the lock.

When one person rents a box, only that person can enter it. A person can appoint a deputy to enter the box. At the death of the renter, the box is sealed.

Two persons, as joint lessees, may rent a box and either one may have access to it. Upon the death of one renter, the box is sealed until a report of its contents is made to the Tax Commission.

If more than one person uses the box, the contents should be clearly labeled showing to whom the items belong.

Both keys must, by law, be returned to the bank when you surrender the box or the lock must be replaced. This expense is paid by the renter. It is against the law for anyone to make a duplicate key.

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