

Avoiding overdraft fees

Students design a poster or pamphlet to inform consumers about their options for avoiding checking account overdraft fees.

Learning goals

Big idea

Understanding checking account overdrafts and ways to avoid overdraft fees can help you manage your money.

Essential questions

- What is an overdraft?
- How can I avoid overdraft fees?

Objectives



- Review information about overdraft fees
- Create an informational poster or pamphlet on how to avoid overdraft fees

What students will do

- Review two Consumer Financial Protection Bureau (CFPB) resources on overdraft fees.
- Create an informational poster or pamphlet on how to avoid overdraft fees.

KEY INFORMATION

Building block:

-  Executive function
-  Financial habits and norms

Grade level: High school (9-12)

Age range: 13-19

Topic: Spend (Buying things, Paying bills)

School subject: CTE (Career and technical education), English or language arts, Fine arts or performing arts, Social studies or history, World languages

Teaching strategy: Competency-based learning, Project-based learning

Bloom's Taxonomy level: Apply, Create

Activity duration: 45-60 minutes

STANDARDS

Council for Economic Education
Standard III. Saving

Jump\$tart Coalition
Spending and saving - Standards 2 and 3

Preparing for this activity

- Print copies of all student materials, or prepare for students to access them electronically.
- While it's not necessary, completing the "[Banking basics card game](#)," "[Getting banked](#)," or "[Checking account basics](#)" activities before this one may make it more meaningful.
- Secure access to the Internet so students can conduct research, or provide them with printed versions of research materials from the following resources from the CFPB:
 - "Consumer guide to managing your checking account"
https://files.consumerfinance.gov/f/201602_cfpb_consumer-guide-to-managing-your-checking-account.pdf
 - "Know your overdraft options"
<https://pueblo.gpo.gov/CFPBpubs/CFBPubs.php?PubID=13010&PHPSESSID=c7kd5fhfeqa2frkmgj7jemba31>
- Gather art supplies or arrange for students to use computers or tablets with design software to create the poster or pamphlet.

What you'll need

THIS TEACHER GUIDE

- **Avoiding overdraft fees** (guide)
[cfpb_building_block_activities_avoiding-overdraft-fees_guide.pdf](#)

STUDENT MATERIALS

- **Avoiding overdraft fees** (worksheet)
[cfpb_building_block_activities_avoiding-overdraft-fees_worksheet.pdf](#)
- **Art supplies or computers/tablets with design software**

Exploring key financial concepts

A checking account is an account at a bank (called a share draft account at a credit union) that allows you to make deposits, pay bills, and make withdrawals. A checking account can be a useful financial tool, but it's important to carefully monitor your account balance so that you avoid overdrafts. An overdraft happens

when you don't have enough money in your account to cover a transaction, but the bank or credit union pays for it anyway. You then have to pay back the amount your account was overdrawn, plus overdraft fees from your bank or credit union.

You can overdraw your account by writing checks, making automatic bill payments, and making electronic or in-person withdrawals. Overdrafts on ATM transactions or debit card purchases may work a little differently. Often, you're not able to withdraw more money from an ATM or a debit card than you currently have in your account. However, some institutions allow you to opt in, or choose, to have overdraft coverage for these kinds of transactions. This would allow you to spend more than you have in your account but would require that you pay a fee. If you're concerned about paying a lot of overdraft fees, consider opting out of overdraft coverage for debit purchases or ATM withdrawals. Without overdraft coverage, your card will be declined if you don't have enough money in your account to cover a debit purchase or ATM withdrawal. You won't be able to complete the transaction, but you won't incur an overdraft fee.

Your bank may also offer to link your checking account to your savings account, if you have money in the savings account. In those cases, your financial institution will automatically transfer money from your savings account to cover your overdraft. Whether or not you'll be charged a fee for this coverage will depend on your financial institution.

Overdraft fees can be costly. Fees are generally charged "per item." They can often be as high as \$35 or more for each overdraft transaction. Banks and credit unions sometimes do not process transactions immediately after they occur. This means that you can incur several overdraft fees in a single day. To resolve an overdraft, you generally have to pay back the amount of the negative balance plus all fees, and you may have to pay additional fees if you do not repay quickly.

TIP

Because overdraft products, terms, and laws change, students should be encouraged to always look for the most up-to-date information.

Teaching this activity

Whole-class introduction

- Distribute the "Avoiding overdraft fees" worksheet.
- Be sure that students understand key vocabulary:
 - **Bank:** A financial institution and business that accepts deposits, makes loans, and handles other financial transactions.

- **Checking account:** An account at a bank (sometimes called a share draft account at a credit union) that allows you to make deposits, pay bills, and make withdrawals.
 - **Credit union:** A cooperative financial institution that is chartered by the National Credit Union Administration (a federal independent agency) or a state government and is owned by its individual members.
 - **Overdraft:** An overdraft occurs when you don't have enough money in your account to cover a transaction, but the bank pays the transaction anyway.
- Explain that students will create an informational poster or pamphlet to help people avoid fees that result from spending or withdrawing more money than they have in their checking accounts.
 - To help students come up with ideas, invite them to think of posters or pamphlets they've seen in public places that present important information or tips for making informed choices.
 - List some examples.
 - List characteristics that make these posters or pamphlets effective.
 - Review the instructions and rubric on the worksheet with students so they clearly understand the expectations for their poster or pamphlet.
 - Introduce students to the two CFPB resources that they can draw information from:
 - "Consumer guide to managing your checking account": https://files.consumerfinance.gov/f/201602_cfpb_consumer-guide-to-managing-your-checking-account.pdf
 - "Know your overdraft options": <https://pueblo.gpo.gov/CFPBPubs/CFPBPubs.php?PubID=13010&PHPSESSID=c7kd5fhfeqa2frkmgj7jemba31>
 - Instruct students to pay close attention to things they should do to avoid an overdraft on their account and to minimize overdraft fees.

TIP

Visit CFPB's financial education glossary at consumerfinance.gov/financial-education-glossary/.

TIP

If you'd like to do this activity in Spanish class or if you'd like to support English language learners, you can use the Spanish versions of the online materials.

Individual work

- Provide students with art materials or computers/tablets with design software to create their poster or pamphlet.
- Remind them to check the rubric to make sure they include all of the elements.
- Circulate around the room, answering questions and providing suggestions as needed.

Wrap-up

- Display the posters and pamphlets around the classroom or ask permission to display them around the school campus.

Suggested next steps

Consider searching for other [CFPB activities](#) that address the topic of spending, including buying things and paying bills.

Measuring student learning

If you choose to use the scoring rubric below to grade this activity, be sure to share it with all students so they know what criteria matter most and they can plan accordingly.

Keep in mind that students' posters may vary. The important thing is for students to have reasonable justification for the elements and information they choose to include.

Scoring rubric

	Possible points	Points earned
Defines "overdraft" and warns people about potential overdraft fees	20 points	
Describes two things you can do to avoid making an overdraft on your account	30 points	
Lists three ways you can avoid paying overdraft fees	30 points	
Is well organized and visually pleasing	20 points	
Total points	100	