

# Avoiding overdraft fees

Students design a poster or brochure 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 a poster or brochure on how to avoid overdraft fees

### What students will do

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




### NOTE

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Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

#### KEY INFORMATION

##### Building block:

-  Executive function
-  Financial habits and norms
-  Financial knowledge and decision-making skills

**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 and 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

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#### National Standards for Personal Financial Education, 2021

Spending: 8-1, 8-3, 8-4, 12-1, 12-2, 12-8, 12-9

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

## Preparing for this activity

- While it's not necessary, completing the "Banking basics card game," "Getting banked," or "Checking account basics" activities first may make this one more meaningful.
- Print copies of all student materials, or prepare for students to access them electronically.
- Become familiar with 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](https://files.consumerfinance.gov/f/201602_cfpb_consumer-guide-to-managing-your-checking-account.pdf)
  - "Know your overdraft options": [https://files.consumerfinance.gov/f/documents/cfpb\\_adult-fin-ed\\_know-your-overdraft-options.pdf](https://files.consumerfinance.gov/f/documents/cfpb_adult-fin-ed_know-your-overdraft-options.pdf)
  - 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.
- Obtain computers or tablets with Internet access so students can use the two CFPB resources for research.
  - You also can provide students with printed information from the CFPB resources.
- Gather art supplies or obtain computers or tablets with design software so students can create their posters or brochures.

### What you'll need

#### THIS TEACHER GUIDE

- **Avoiding overdraft fees** (guide)  
[cfpb\\_building\\_block\\_activities\\_avoiding-overdraft-fees\\_guide.pdf](cfpb_building_block_activities_avoiding-overdraft-fees_guide.pdf)

#### STUDENT MATERIALS

- **Avoiding overdraft fees** (worksheet)  
[cfpb\\_building\\_block\\_activities\\_avoiding-overdraft-fees\\_worksheet.pdf](cfpb_building_block_activities_avoiding-overdraft-fees_worksheet.pdf)
- **Computers or tablets with Internet access**
- **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 any 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. In many cases, you can't 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 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 are often 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. In addition, banks and credit unions may change their policies and fees on overdrafts, so it's important to be aware of any changes.

### TIP

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

## Teaching this activity

### Whole-class introduction

- Ask students if they or someone they know keeps a record of their spending.
- Read the “Exploring key financial concepts” section to students.
- Be sure 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.
- Tell students they’ll create a poster or brochure 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 brochures 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 brochures effective.

#### **TIP**

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Visit CFPB’s financial education glossary at [consumerfinance.gov/financial-education-glossary/](https://consumerfinance.gov/financial-education-glossary/).

### Individual work

- Distribute the “Avoiding overdraft fees” worksheet, computers or tablets, and (if needed) art supplies.
- Students will work individually to create their posters or brochures.
- Review the instructions and the criteria list on the worksheet with students so they clearly understand the expectations for their poster or brochure.

- Introduce students to the two CFPB resources that they can get information from:
  - “Consumer guide to managing your checking account”:  
[https://files.consumerfinance.gov/f/201602\\_cfpb\\_consumer-guide-to-managing-your-checking-account.pdf](https://files.consumerfinance.gov/f/201602_cfpb_consumer-guide-to-managing-your-checking-account.pdf)
  - “Know your overdraft options”:  
[https://files.consumerfinance.gov/f/documents/cfpb\\_adult-fin-ed\\_know-your-overdraft-options.pdf](https://files.consumerfinance.gov/f/documents/cfpb_adult-fin-ed_know-your-overdraft-options.pdf)
- Instruct students to pay close attention to things they should do to avoid an overdraft on their account and to minimize overdraft fees.
- Circulate around the room, answering questions and providing suggestions as needed.

## Wrap-up

Display the posters and brochures 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. Suggested activities include “Debating ways to pay bills” and “Playing a banking fact and fiction game”.

You also may consider having students visit the website of a local bank or credit union or their own bank or credit union to see what they charge for overdrafts and how they recommend avoiding the fees.

In addition, if you display the posters and brochures in the classroom, you may consider having students participate in a gallery walk to view one another’s artwork:

- Have students begin at their own poster or brochure.
- Tell them to move to the next poster or brochure on the right.
- Count to 10 and then have students move to the next poster or brochure on the right.
- Repeat until students are back at their own poster or brochure.

## Measuring student learning

Students' posters/brochures and answers during discussion can give you a sense of their understanding. **Keep in mind that students' posters and brochures may vary, as there may not be only one right approach.** The important thing is for students to have reasonable justification for their approach.

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.

### Scoring rubric

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