

Overdrafts and fees, and how to avoid them

Easy · 12 min to read; 10 min to change settings · Free

An overdraft is when the bank covers a purchase you didn't have money for, then charges you; the FDIC says fees can run around \$35 per transaction, and some banks add a daily fee. For debit card and ATM purchases, the bank can't charge an overdraft fee unless you opted in, so check your setting and opt out if you'd rather be declined. Checks and automatic payments can still bounce with an NSF fee, so turn on low-balance alerts and know your bill dates.

YOU'LL NEED

- ☐ Your bank's app or website, or its phone number
- ☐ A list of your automatic payments and their dates

WHAT TO KNOW

- 1 **Find out whether you're opted in to debit card overdraft coverage.** Check your account settings or ask your bank. The opt-in form usually comes with your account-opening papers.
- 2 **Decide.** If you don't opt in, you can't be charged an overdraft fee on debit card or ATM transactions; the bank may just decline the purchase. If you're opted in and change your mind, you can opt out any time by contacting the bank.
- 3 **Link savings as a backup if your bank offers it.** If checking runs short, money moves from savings. There's usually a fee, but it's generally less than an overdraft fee.
- 4 **Turn on low-balance alerts in your bank's app so you hear about it before you're short.**
- 5 **List each automatic payment, its amount and its date, so the money is there when it comes out.**
- 6 **Watch your available balance, not just deposits.** A deposit may not be available right away, so you can overdraw even right after depositing.
- 7 **Get your bank's fee schedule.** Banks must disclose every deposit account fee, so ask for the account-opening disclosure and fee schedule.

Watch out Opting out doesn't stop every fee. Banks don't need your opt-in to charge non-sufficient funds (NSF) fees: a check or automatic payment (ACH) you can't cover can be returned unpaid and still cost you a fee, usually per transaction.

DAD NOTE Check your balance before you swipe, not after. It takes ten seconds and saves you \$35.

Full lesson: aptkeys.com/money/banking-basics/overdrafts-and-fees-and-how-to-avoid-them/

Checked October 2, 2026. Sources: Consumer Financial Protection Bureau; Federal Deposit Insurance Corporation.