



## **Don't Float Checks To Cover Your Expenses**

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If you're running low on personal funds, and you have no room left on your credit card, it may occur too you to float a check or two to pay for essentials. The idea behind floating is that you can write a check for a purchase, and deposit the money to cover it in your bank account before the check clears. As foolproof as this might seem, it can be a very costly way to make ends meet.

First, the time needed to clear a check has been greatly reduced in recent years. Banks have started using substitute checks in place of real checks - the substitute checks are legally valid instruments which allow banks to process deposits and debits much more quickly. In years past, clearing a check could take a week or more; today, it can be done in just a day or two.

Second, if the funds aren't in your account when the check is presented, you can run into all kinds of financial problems. If you're lucky, your bank will pay the check and issue an overdraft fee - this fee can be up to \$40 in most states. If you're not so lucky, the bank will dishonor the check and send it back to the store you made your purchase from.

If the bank decides to return the check, you'll get a letter from the store demanding immediate payment. The store might also demand a fee for the bounced check. If you fail to pay within a specified time, usually seven days, the merchant can sue you. If that happens, you might end up having to pay two or three times the amount of the check, as well as other fees.

Even worse, if this happens more than a couple of times, the bank may choose to close your account. Since accounts that are closed for cause are reported to Chex Systems, this can make it incredibly difficult to open another account elsewhere.

While floating a check might seem like an innocuous way to cover

expenses for a few days until you get paid, the results can be disastrous. As embarrassing as it may be, it's much less costly to borrow money from a friend or family member for a few days. Barring that, even a payday loan can cost you less than a bounced check, both in terms of money and personal stress.

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