Frost

Everyday Ways to Avoid Overdrafts

Your Cheat Sheet for Personal Finance 101

Overdrafts can be a headache, but a little proactivity goes a long way. Here are some quick pointers on how to best manage your finances day in and day out.

Check your account regularly

Make it a habit to check your bank account weekly or monthly to review spending, monitor your balance and catch potential shortfalls ahead of time.

Build a budget and stick with it

By setting aside funds for routine expenses in your life, you can better control your spending. Categorize them by type — like bills, groceries or entertainment — to get a ballpark idea of your spending. Then check your account balance and keep it at a level that covers those everyday expenses. If you don't overspend, it's harder to overdraft.

Set up low-balance alerts

Why not let tech do the work? Enable alerts that trigger when your balance drops below a certain threshold. Your budget will help determine what your threshold should be — and if you hit it, an alert gives you time to transfer funds or adjust spending before an overdraft occurs.

Maintain a solid cash cushion

Keep a small amount of cash in your account around the clock that acts like a safety net — perfect for surprise expenses you didn't see coming or potential delays in your paycheck.

Use direct deposit for your paycheck

Besides being one of the easiest ways to get paid, direct deposit refreshes your balance ahead of expenses, so you have the funds you need without having to visit the bank or deposit a check.

Opt out of overdraft coverage

Can't stand overdraft fees? You can always opt out of coverage. Instead of having your bank cover transactions that overdraw your account, they'll be declined, and you'll dodge a charge.

Link a savings account

Checking and savings are two peas in a pod, and the latter can help cover the former. When you overdraw your checking, a connected savings account will kick in, spotting the potential overdraft and taking care of the fee.

Use cash instead of cards for purchases

Making transactions with physical cash can help you keep a better eye on your everyday spending if you easily lose track. That way, you know you have the funds you need in hand, no guesswork required.

Track your payments

Bills, rent, subscriptions — recurring transactions can really add up. Alongside staying on top of them, you may even want to turn off automatic payments, choosing to make them manually (after checking your balance first, of course).