

## **The Value of Direct Deposit**

*Kristina Klausser*

Want to know a great way to keep your money safe and secure, save yourself stress and time, and help the environment all at the same time? Try direct deposit! By directly depositing your checks (be they payroll, government benefits or money from another source) you can ensure the security of your money and save yourself time and hassle. Direct deposit is simple to start and very convenient. Direct deposit is even available for your tax refund (you can visit [www.irs.gov](http://www.irs.gov) for more information). Additionally, many banks offer free checking or other benefits to their customers who use direct deposit. With direct deposit you no longer have to wait for your checks to clear; the funds are available to you immediately upon deposit.

Starting direct deposit is simple: contact your employer (or the source of other payments to be deposited) and request the paperwork to set up direct deposit. After filling out a quick form and providing your bank account information, direct deposit will begin. On a specified date each pay period, the money will be transferred to your account electronically. You will still receive a pay stub or receipt showing that the money was deposited. You may even get the money faster than your co-workers - some institutions submit direct deposit one day before payday or before mailing out paper checks. This also means no more standing in line at the bank on a busy Friday afternoon or when you are in a hurry. The University of Illinois Employees Credit Union found that the average worker spends somewhere between 8.5 and 24 hours a year just cashing their paychecks!

Once the direct deposit is set up there is no more action necessary on your end unless your account information changes. If there is ever an issue with your direct deposit you should contact your bank or employer immediately. Keep in mind, though, that funds direct deposited are not exempt from being garnished. A court ordered garnishment of personal bank accounts (or wages from an employer) must be honored. To find out more about garnishments, visit [www.fair-debt-collection.com](http://www.fair-debt-collection.com).

Another benefit of having direct deposit is that you can arrange to have money put into more than one account. This is possible with anything direct deposited, even your tax refund. Many people find this to be a great way to increase their monthly savings; by directing a portion of their pay to their checking account and a portion to their savings account, they are able to save more consistently and resist the temptation to spend more than they have budgeted.

Direct deposit is also safer than getting paper checks. The hassle of losing a check (specifically those that may come in the mail) is avoided and your personal information is not easily exposed. Most identity theft happens when the thief sees the information on paper (in the form of a check, bank statement, etc). The new *Go Direct* campaign, run by the U.S. Department of the Treasury, says that when using a paper check you are about 30 times more likely to have a problem than when using direct deposit.

Direct deposit of checks from the federal government (tax refunds, Social Security, SSI, etc.) also saves your tax dollars. The Wisconsin Department of Health Services reports that each paper check sent costs the federal government 43 cents, while direct depositing it costs only 2

cents. The federal government encourages the use of direct deposit as the best way to receive benefits. Anna Cabral, Treasurer of the United States, says "It's simply the safest, most reliable and convenient way for people to receive Social Security benefits." (Find more info about how to set up direct deposit for your Social Security payments and other benefits at [www.electronicpayments.org](http://www.electronicpayments.org) or [www.godirect.org](http://www.godirect.org))

Direct deposit offers many benefits. If you're not currently taking advantage of it, you might want to give it a try. You'll save yourself time and trips to the bank, reduce paper waste, decrease the risk of loss or exposure to identity theft, and have access to your money faster. And if you decide it's not for you, you can undo it just as quickly as you set it up.

*This regular financial column is presented by Capital Area Asset Builders (CAAB), [www.caab.org](http://www.caab.org), a nonprofit organization that helps people of all incomes to improve their financial management skills, increase their savings, and build wealth. Call us at 202-419-1440 for more information. Send feedback on this column and your ideas for future topics to [saving@caab.org](mailto:saving@caab.org).*