

BANKING FUNDAMENTALS

Overdraft Decision

Detailed practice, calculation, judgment, and assessment

GRADES 9-12	TIME 2 x 42 min	GROUPING I / pairs / whole	PRODUCT Shortfall decision and prevention plan
YOUR CHALLENGE Analyze what can happen when an account does not have enough available money. Compare fictional decline, fee, linked-transfer, and grace options; calculate consequences; then design a prevention and communication plan. Terms differ by institution and transaction type.			

Key Distinctions

Concept	What to ask
Declined	Was the transaction refused, and did any merchant or returned-item consequence remain?
Paid into overdraft	Was it paid, how far below \$0 is the account, and what fee/deadline applies?
Linked transfer	Which account funds the transfer, what is the transfer fee, and is enough available?
Pending/hold	Is money unavailable even though it has not finally posted?
Opt-in choice	Which ATM/one-time debit transactions are covered, and what happens without consent?
IMPORTANT Do not assume one setting controls checks, ACH payments, recurring debits, ATM withdrawals, and one-time debit-card purchases in the same way. Read the current disclosure for the account and transaction type.	

Part 1 - The Friday Sequence

Available balance Friday morning: \$54. A \$22 gas-station authorization creates a temporary hold of \$75. Then the following are attempted. For this activity, treat available balance after the hold as – \$21.

Time	Event	Amount / effect
9:00	Gas authorization hold	–\$75 available (final purchase later \$22)
12:00	Lunch debit	–\$14
4:00	Streaming recurring debit	–\$12
Saturday	Paycheck deposit	+\$180

Explain why the authorization amount can create a shortfall even though the final gas purchase is only \$22.

Which items are one-time debit, recurring debit, and deposit? Why might treatment differ?

Part 2 - Compare Four Fictional Policies

Policy		Fictional classroom term			
A—Decline setting		One-time debit purchase declined when insufficient; no account overdraft fee in sample. Recurring debit treatment separate.			
B—Paid overdraft		\$35 fee each time an eligible item is paid; maximum 2 fees/day in sample.			
C—Linked savings		\$5 per transfer; transfer in \$25 increments when savings has funds.			
D—Grace window		Eligible negative balance may avoid sample \$25 fee if restored by 8 p.m. next business day; eligibility and transaction restrictions apply.			
Policy	Lunch result	Streaming result	Fees	Balance after final gas \$22 and +\$180 paycheck	Non-dollar consequence / uncertainty
A					
B					
C					
D					

Show calculations. If information is missing, state an assumption and identify what must be verified.

Part 3 - Cost Is Not the Only Consequence

Scenario	Pay/decline preference	Immediate consequence	Fee/relationship risk	Safer alternative or communication
Medication purchase				
Rent ACH				
Concert ticket				
Transit to work				

Choose one scenario where paying a fee might still prevent a larger harm. Explain without assuming overdraft is the only option.

Part 4 - Prevention System

Layer	Specific action	Trigger / timing	Tool	Limit
Awareness				
Buffer				
Alerts				
Timing				
Backup funding				
Communication				
Review				

Alert Design

Choose a low-balance alert threshold using: typical largest pending hold + next essential purchase + safety buffer. Show your numbers and explain why the threshold is not simply \$0.

Transaction Pause Rule

Write a one-sentence rule for what you will check before a nonessential purchase when available balance is near the threshold.

Part 5 - Decide, Communicate, Reflect

Draft a call/chat script asking an institution representative to explain: current opt-in status; transaction types covered; fee amount and daily cap; linked-transfer cost; grace deadline; alerts; and how pending holds affect available balance.

Final decision: Which fictional policy would you choose for yourself or a stated profile? Include one calculation, one non-dollar consequence, two verification questions, and two prevention actions.

VERIFY BEFORE YOU RELY Use the institution's official contact information and current account agreement. Never send a PIN, password, or one-time security code in an ordinary message.