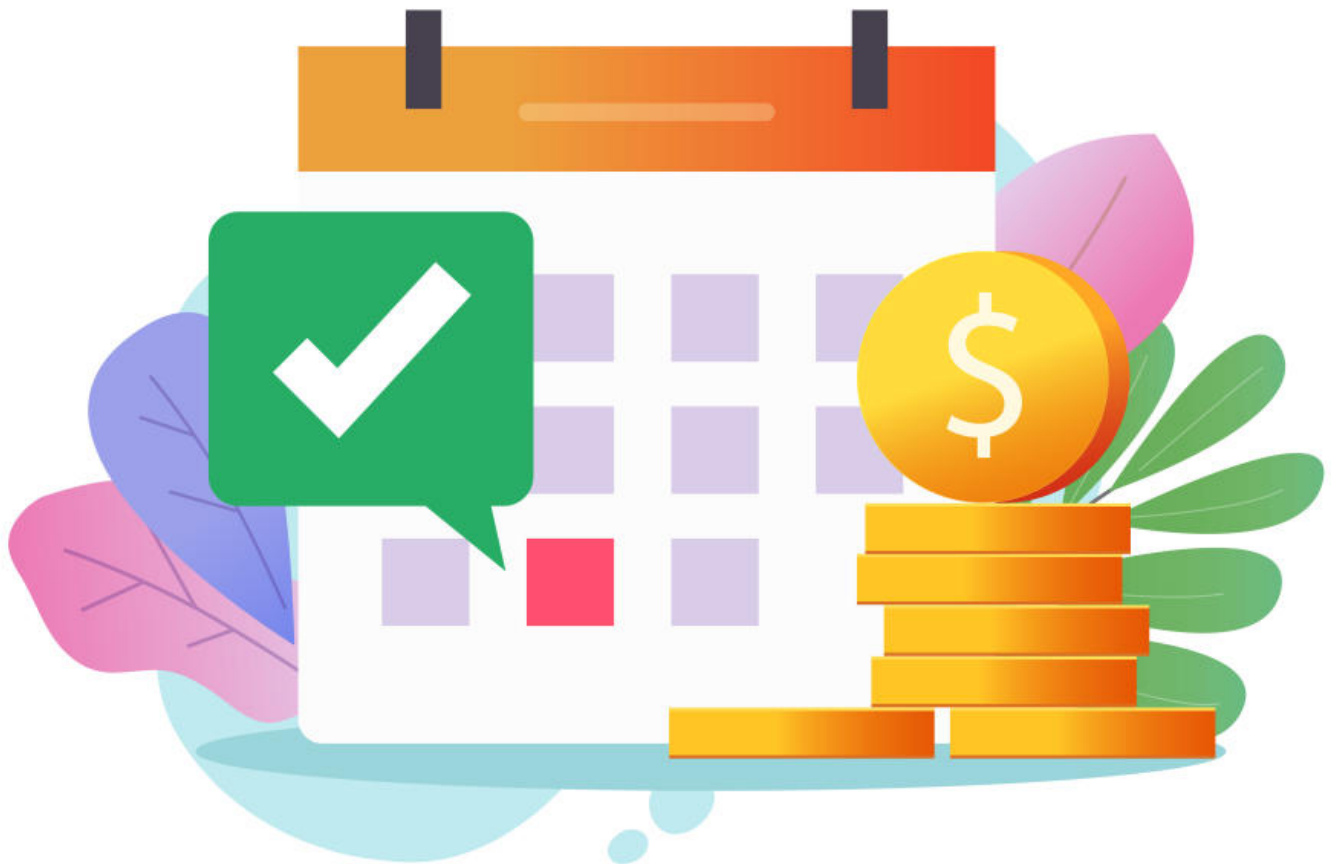


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What is direct deposit?

Direct deposit is a fast and secure way for employees to get paid directly through their bank account



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Direct deposit is an electronic transfer of money into a bank account (usually a checking account) that doesn't use a paper check or cash. Most people come across direct deposit when starting a job and enrolling in an employer's direct deposit program for their pay. Still, the term can describe many electronic transfers between financial institutions.

Direct deposits, handled by the Automated Clearing House transaction system, are used to disburse government payments such as Social Security, veterans' benefits, and tax refunds. For example, during the COVID-19 pandemic, most federal relief payments were made via direct deposit.

Direct deposit is faster, more secure than a paper check, and cheaper for banks to process. It's also more convenient for you because once you set it up for your pay or other regular payments, deposits happen automatically. You can also split a single direct deposit payment between different accounts.

Direct deposit can also save you money since many banks will allow you to waive checking account fees if you set up direct deposit of your paycheck or benefits payment.

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How does direct deposit work?

Direct deposit works by your employer running payroll on preset days and triggering payments to employers where money goes from their business account to individual, personal bank accounts. So rather than being issued a paper check, you'll see your paycheck amount as a deposit into your bank account.

Direct deposit can pay you as frequently as you would get paid through a physical check. For instance, if you get paid every two weeks, direct deposit can be set up to pay employees every two weeks. Likewise, if you get paid on the first and 15th of every month, you can get paid through direct deposit that way as well.

You can set up direct deposit through your payroll system if you work for yourself. First, you'll need to have a business bank account. Then, you can create a direct deposit from your business bank account to your personal one. It still takes a few days to process payroll, so give yourself a cushion for payment. That means if you have bills on autopay from your personal bank account, be sure to pay yourself from your business bank account early enough to make those payments on time.

Direct deposit isn't just for work-related settings and paying employees. For example, you can set up direct deposit to receive your tax refund, pay child support or alimony, or manage your bills.

Benefits of direct deposit

Speed

Paper checks hold up the payment process because you have to wait for payroll to run, paychecks to get issued, and the employee has to find time to deposit that check. With direct deposit, your company can run payroll, and you can receive those funds in your account within a couple of days.

Secure

Whether it's from the business side or the employer side, you don't run the risk of losing a paycheck with direct deposit. Everything happens electronically.

Flexibility

You can set up your direct deposit to go to multiple accounts. That means if you want some money to hit your regular checking account and then some to hit a savings account, you can. This means some funds can go directly into building up your savings rather than wait on you to trigger that transaction.

Discounts and deals

Some banks offer deals on accounts that set up direct deposit. If you set up direct deposit and receive your paycheck electronically, you could avoid paying a monthly maintenance fee or other charges.

How can I set up a direct deposit?

If you have a bank account, you can set up direct deposit.

Whether you're starting a new job or your current job is moving to a direct deposit system, you'll need to talk to your company's payroll or human resources department to get started. You'll usually need:

- Your bank accounting number

- Your bank routing number
- The name of the financial institution
- The type of account you have (checking or savings, for example)

You can find these details when you log into your bank's website and click on the account you'd like the money to go into. Each banking portal is different but look for "accounting" and "routing" numbers. You can also find these numbers on your personal checks, if you have those.

Some companies or payroll systems might have additional requests when you set up your account. For instance, some request you bring in a voided check with your banking information.

After you've submitted your banking documents, your company will set up your payroll information and sync your data with their payroll schedule. Now, payroll can be processed, and employees can get paid. Depending on your employer and the company's payroll system, it can take a few days to several weeks. Ask your company's human resources representative when to expect your first direct deposit.

When you set up direct deposit, your company will have a payroll portal you can log into to check your payment details. This includes when you last got paid, how much that payment was, and how that check was paid out, including Social Security, Medicare, state taxes (if any), and any other withholdings you have set up. You can also find copies of your pay stubs to save for your records.



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