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Guaranteed Funds: Cashier's checks and money orders

When you need to guarantee a payment, but a credit card, PayPal, or cash aren't suitable options, purchasing a money order or cashier's check allows you to rest assured that the funds are certified.

Money order

Money orders can be purchased at most financial institutions, any post office and many grocery or convenience stores. The dollar amount you can purchase may vary by location, but the United States Postal Service's (USPS) standard of \$1,000 for domestic and Canadian orders, and \$700 for international orders is a good rule of thumb. In addition to the face value of the order, a fee will be added, usually between \$.50 and \$1.50, though they can go as high as \$15 depending on the amount of the order and where you purchase it. Also, money orders have no expiration date and can be replaced if lost or stolen.

When purchasing a money order, you must pay cash up front for the amount of the money order. Prepaying guarantees the funds for whoever is receiving the payment. If you need to stop a money order payment, you can call the 800 number on the receipt or contact the company you bought the money order from. You may be charged a stop payment fee.

Cashier's check

Cashier's checks can be obtained only at financial institutions. First, a teller will verify that the amount you request is available in your checking account. Then the teller will withdraw the amount from your account, deposit it in the institution's own account, and issue the check to the third party. The check will then be signed by an employee and given to you.

Cashier's checks are secured funds because the amount of the check must first be deposited by the purchaser into the issuing institution's own account. Cashier's checks are great for guaranteeing large amounts of money, because they can be made out for any dollar amount--as long as you have the funds available.

Don't expect to get a cashier's check for free. While cashier's checks are great for some purchases, you will be charged a fee of several dollars. Like money orders, you can put a stop payment order on cashier's checks.

Other options

In addition to money orders and cashier's checks, there are a few other options for sending payments. One is a certified check, which is a regular check from your own financial account. For a small fee, most financial institutions can stamp and date your check to certify that the check will be honored when presented for payment. In order to do this, your financial institution will move the funds from your checking account into its own "certified checks outstanding" account, thus the responsibility to pay is shifted from you to them.

Another option is to pay by wire transfer. These are also initiated at a financial institution, a post office or with transfer service like Western Union. Fees usually range from \$10 to \$50, but funds can be available to your payee almost immediately. You can transfer up to \$2,000 per day with the USPS.

Bottom Line: Even though cashier's checks and money orders cost more than a personal check, they can be a useful alternative in some situations. Having the assurance that a check won't bounce can make transactions less stressful for both parties.

Stats

1.3 million Americans have been the victim of a fake check scam, with an average loss of \$3,000 to \$4,000 per consumer.

Source: consumerfed.org

International money orders can be purchased through the United States Postal Service to over 25 countries.

Source: usps.com

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