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Pros and Cons of Automatic Bill Payments

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Bills are probably the last thing you want to think about, so you might be curious about [automatic payments](#) — where you set up regular, recurring transfers from your bank account to settle your electric, phone, cable and other bills by the due date every month. One less thing, right?

Careful, though. There are two ways to sign up — through your bank or through the company where you have an account — but in either case, you'll still need to pay attention. Misusing this feature at your bank or credit union could end up costing you more than it helps you.

Here are the pros and cons to consider before signing up for automatic bill pay.

Pros

It's convenient. Instead of visiting several different websites or fielding mailed invoices at various times during the month, you can automate the bill-paying process. If you do this through your bank, your bills can be organized and viewed in one place. And some companies will email to let you know they are about to take a payment. In a sense, instead of you going to them, they come to you.

It can improve your credit score. The single biggest component of your [credit score](#) is your payment history, and FICO reports that negative marks on your credit history can fade over time when you are consistent with payments. With automatic bill pay, you can keep on time and avoid delinquency.

It's secure. Data breaches make headlines, but [online banking](#) is no less secure than leaving a check in an envelope in an unguarded mailbox. In fact, your accounts may be better protected through the encryption techniques that banks use online to secure customers' information.

» [MORE: Should you pay your bills with a credit card?](#)

Cons

You risk overdraft fees ... Some payments fluctuate in amount, and if you're not careful, your account may be overdrawn. [Overdraft fees vary](#) by institution, but the median is \$34. Keep tabs on your bank account and have enough in there to cover all your automatic payments.

... and late fees. Even though it's called "automatic," a payment still takes time to process and reach a merchant or service

provider. Confirm how long it takes for payments to arrive so you can set payment dates accordingly and avoid late charges.

They might make a costly mistake. What if your phone company accidentally withdraws your monthly payment twice? Or your cable provider adds a zero to your balance and takes out \$850 instead of \$85? Such mistakes, while rare, can happen, and redressing them takes time and effort.

How to use automatic bill pay wisely

Sign up in the right place. Is your bill for the same amount every month, or does it vary? The answer should determine where you sign up for automatic payments.

For bills that are the same amount every month, use your bank's auto pay to keep multiple accounts in one place.

For accounts where your balance changes each month, such as a credit card, it's better to sign up for automatic payments directly through them, so they take the full amount owed.

Set up electronic alerts. Some banks and credit unions offer email or text reminders that let you know when your balance is running low or when a bill is due. Think of yourself as a manager. You're delegating the task of paying your bills, but you still want to know when something pops up that requires your attention. Alerts will help.

Don't take an out-of-sight, out-of-mind approach when it comes to automatic payments. Even though this service is

meant to simplify your life, it can have the opposite effect if you're not careful.

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