

The Cost of Issuing Checks



A recent article in the Wall Street Journal titled "[U.S. Companies Cling to Writing Paper Checks](#)" refers to an Association of Financial Professionals (AFP) survey stating that 50 percent of B2B payments are still made by paper check. The accuracy of this statistic, however, relates more to larger companies with \$1 billion or more in annual revenue. Many studies have shown that smaller companies have been making closer to 75 percent of their payments via paper check. This well validates an estimated cost of issuing paper checks at \$26 to \$54 billion annually.

Issuing checks is ten times more costly to businesses than making electronic payments. According to this 2015 AFP survey, high cost is the primary reason nearly 80% of businesses are transitioning away from paper checks. In the survey, businesses estimated their cost to issue a paper check ranged from \$1 to \$26 dollars with an average cost of \$5.91 per check. Bank of America gives another estimate that a business check can cost between \$4 to \$20 dollars, while the Aberdeen Group reports an average cost of a check payment to be \$7.78.

The cost to issue a check will differ significantly between businesses due to several variables which include check volume, labor (usually the largest expense item), check & envelopes supplies, printing, mailing preparation, lockbox service fees, postage fees, bank processing fees, check reconciliation, dealing with lost checks, vendor questions and escheatment tracking to name a few.

Check Cost Calculator

To give you a better picture, on the following page we've provided an example for calculating the total direct and hidden paper check costs. Our example is for a company that issues 1,000 checks per month and processes checks on a weekly basis, however, you can easily change the calculator input. Simply apply your labor hours and fully burdened labor rates in the areas provided, along with your costs for supplies, postage and bank fees. Your total monthly costs will calculate and determine your check costs automatically.

Check Cost Calculator

Input in these columns



| Labor Functions | Labor Hours | Labor Rate (Fully Loaded) | Monthly Cost | Annual Cost |
|--|-------------|---------------------------|--------------|-------------|
| Check production | | | | |
| Mail preparation | | | | |
| Filing check file copies | | | | |
| Check reconciliation | | | | |
| Production downtime | | | | |
| Responding to lost checks | | | | |
| Controller/CFO oversight | | | | |
| Miscellaneous | | | | |
| Check Delivery | Quantity | Unit Cost | Monthly Cost | Annual Cost |
| Postage | | | | |
| Overnight check delivery | | | | |
| Check Supplies | Quantity | Unit Cost | Monthly Cost | Annual Cost |
| Check Stock | | | | |
| Envelopes | | | | |
| Check file copy | | | | |
| MICR Printer Toner | | | | |
| Bank Fees | Quantity | Unit Cost | Monthly Cost | Annual Cost |
| Per Check | | | | |
| Stop Payment | | | | |
| Positive Pay | | | | |
| Monthly Maintenance | | | | |
| Equipment Costs Printers, Mailing Equip, Postage Meter | | | Monthly Cost | Annual Cost |
| Depreciation | | | | |
| Maintenance | | | | |
| | | Total Monthly Cost | | |
| Number of Checks | | Per Check Cost | | |