The Personal Check Is Disappearing. Here's What Comes Next

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One of the first checks ever recorded was written in the 11th century, in a marketplace in Basra, in present-day Iraq. There, a merchant issued a *sakk*: written instructions to his bank to make a payment from his account.

A thousand years later, this form of payment is finally disappearing. Target said it would stop accepting checks as of July 15; other retailers, including Whole Foods and Old Navy, have already stopped accepting them. It's just the latest sign that the form of payment is nearing obsolescence: The average American writes just one check a year, down from 3 in 2016, according to a Federal Reserve survey.

"I absolutely think that we are moving to a world of 'check zero,'" says Scott Anchin, vice president at the Independent Community Bankers of America. "As we see new payment methods come to the fore, we see new opportunities for consumers and businesses to move away from check usage."

From a security perspective, this is a positive. Checks are not particularly safe ways to send money. They have your account and routing numbers on them, sensitive information that criminals could use. They can be stolen in the mail and changed to be made out to different people or for different amounts. For instance, in April 2023, a U.S. Postal Service employee stole $24 million in checks from the mail and sold them through Telegram, a popular messaging app, according to a federal indictment in the Western District of North Carolina.

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Flawed as checks are, though, they haven't gone away entirely because many people still depend on them, especially to pay rent and utility bills. But experts say a new kind of payment may finally change that.

Instant Payments Come to the Fore

The newest type of payment— the first to be introduced in the U.S. since the ACH network in the 1970s—is called instant payments, in which money moves from your account to another account immediately. You may think you already use instant payments with services like Venmo, but you don't—behind the scenes, the money can take some time to move, and it's not coming directly from your bank account but from a Venmo account, for instance.

Here's how instant payments work: Different types of payments—wire transfers, checks, ACH—all happen over what are called *rails*. A rail is essentially the system that gets your money from one place to another. Think of a pile of cash in a briefcase. You could move that briefcase from one place to another in a car, or a bus, or a train, or an airplane; those transportation methods are like the rails that move your money. Instant payments are a new kind of payment rail, but there still needs to be a user interface to allow consumers to access them. Some payments on Zelle already happen on an instant payment rail, says Bridget Hall of ACI Worldwide.

One year ago, the Federal Reserve launched FedNow, an instant payment rail that allows for people to send money to each other if they're enrolled in participating institutions. Another payment rail, RTP, short for Real Time Payments, was launched in 2017 by The Clearing House, a private payment-system infrastructure owned by large commercial banks. But it has fewer participants than FedNow, which boasts about 900 participating banks and credit unions.

Instant payments are different from anything that exists now, including wire transfers, ACH payments, and debit cards. Wire transfers can take 24 hours to reach customer accounts, and they're not available 24/7; ACH payments are processed in batches and can only happen during banking hours; debit-card purchases don't settle in accounts immediately. But instant payments happen in real-time, at any hour of any day, and don't cost anything for the sender.

Real-time payments accounted for just 1.5% of total payments in 2023, which is about 3.5 billion transactions, according to ACI Worldwide, which sells software facilitating real-time payments. Experts expect that number to grow to 14 billion real-time transactions by 2028.

Instant payments are already extremely popular in other parts of the world. In India, real-time payments were launched in 2010 and now make up 84% of the share of all electronic payments—that's 129 billion transactions. Brazil had 37 billion real-time payment transactions in 2023, and Thailand had 20 billion, according to ACI Worldwide.

But the two rails for instant payments in the U.S.—FedNow and RTP—are relatively new. It's taken this long for the U.S. to adopt real-time payments because there were intermediaries like PayPal that allowed people to feel like they were paying someone else instantly, says Hall.

There are some big advantages to instant payments. Say you have to fund a lunch account at your kids' school: You can provide a credit card (and be charged a transaction fee), or write a check, which takes days to get processed and may mean your kid has to skip a few days of tater tots. The velocity of instant payments is a good thing for businesses too; instead of waiting for a check to arrive, and then cashing it to find out there's no money in the user's account, an electricity company can get paid instantly.

"If we start looking at the payment methods used to complete a transaction today," Hall says, "we have many use cases where the options either aren't great or aren't good enough."

Some people might already be using instant payments and not realizing it—a share of transactions on Zelle, a digital payments network run by big banks, run over instant payment rails. Your payment may go over the instant payment rails if both parties in the transaction are part of member banks that use RTP or FedNow.

There are downsides to real-time payments. People without mobile phones or computer access, or who aren't comfortable with technology, may have a hard time switching to real-time payments. And real-time payments are irrevocable, meaning once you send them, you can't get them back—a potential problem in a world that is increasingly plagued with scams that involve one person sending money to another.

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But most forms of payment have some kind of downside. Consider the check, for example. Long after its medieval origins, checks slowly became popular around the world, booming in the U.S. between 1938 and 1952, when the number of checks written annually reached 8 billion, according to a history by the Federal Reserve Bank of Atlanta.

Banks had to process all of these checks, usually manually, meaning they had to be handled by employees who notated all the information on them as they were passed from one bank to another.

Then credit cards started gaining in popularity, and consumers moved onto what was more convenient, which was a big cost savings for banks. That move towards convenience—and cost savings—is now happening once again.