Teacher Information

FINANCIAL INSTITUTIONS

1. Ask students where they keep their money. Discuss with them the three most common **financial institutions** in which the majority of people keep their money .
   --Bank
   --Credit Union
   --Brokerage Firm

A. **Banks**

Your individual needs and where you live will greatly influence where you bank or choose to hold or invest your money.

Larger banks offer more services including online banking, tax services, investment counseling, regional ATM access, merchant banking and more than one product.

Larger banks may also require higher minimum balances, service fees, and more often now a charge to speak with a teller.

Bank Services that are typical include:
- Checking Accounts
  - Monthly Fees
  - Per-check Charges
  - Balance Requirements
  - Interest Rate
  - How rates are calculated
  - How soon you can draw once you deposit
  - Bounced Check Charges
    - On Your Check
    - On a check you deposited
  - ATM Charges
  - Check Card Charge
  - Stop Payment Fees
  - Charges for Printed Checks
  - Locations/number of branches
  - Bank hours
  - Interest on Checking
  - Automatic Deposit and Payment
  - Storage of Valuables
  - Transfer of Money
  - Overdraft Checking
  - Traveler's Checks
  - Credit Cards
  - Check Cards (Debit Cards)
  - ATMs
  - FDIC

Most people will have a checking account at some time in their life because they are common.

You will need to "set up" or "open" a checking account. Before you do though, make sure that you do some comparing of different institutions to see which services best fit your need. Some things you will want to consider include location, fees, charges, interest, restrictions and special features.

Once you have selected a financial institution you will need to do the following things to "set up" or open your account:

--Fill out **Signature authorization card**

Only those who have signed may make changes or withdrawals from the account.

--Read the contract to know what fees may apply to you and what is expected of you.

--If under 18, bring photo ID, social security number or individual tax ID number, and a cosigner—a guardian who is willing to take on your account if something happens to you. They must bring 2 forms of photo ID.

--Initial Deposit. You need to put money into your account to open it.

Fill out a deposit slip by following the 9 steps below:

1. Date-The date you are making the deposit
2. Cash-The currency deposit of paper bill total.
3. Cash-The coin deposit total.
4. Check-The check number
5. Check-The check amount
6. Total of the back side of the check-if you have many checks, total up the back side of checks and put the total on the front.
7. Total Amount –The total amount of money you are depositing.
8. Cash Received-If you want cash back from the withdrawal, put the amount of cash here.
9. Total Amount (Net Deposit)-The total amount deposited minus the cash received (if any).

--Depositing Checks. When you deposit checks, you need to endorse them. There are three types of endorsements.

1. **Blank Endorsement** - Anyone can cash the check.
2. **Restrictive Endorsement** – Is more secure than a blank endorsement.
3. **Special or Full Endorsement** – transfers the check to another person.

Once you have done your initial deposit, you may continue to make manual deposits, or have your employer do direct deposits.

--Writing Checks. Once you get enough money into your account, you may start writing checks using the 7 steps below.

1. Date-The date you are writing the check.
2. **Payee**-The name of the person or the company you are going to give the check to.
3. Amount of the check in numerals-write the amount of the check in numbers and never leave any space between the pre-preprinted dollar ($) and the numbers.
4. Amount of the check in words-write the amount of the check out in words starting at the far left side of the line. Follow the dollar amount by the word "and", and then write the amount of cents over the number 100. Draw a line from the end of the 100 to the end of the line.
5. Name (your Name)-your personal information usually preprinted on check. NEVER list your social security number on your check.
6. Signature-sign your name the exact way you signed the signature card when you opened your account. (Unique signatures are harder to forge.)
7. Memo-the reason for writing out the check.

Other information found on the check includes a sequential check number telling the bank which check you used against your account. There are also bank identification numbers at the bottom of the check that are used to identify the bank, your account number, and the check number. These are printed in special magnetic ink that can be read by machines.

There are several advantages and disadvantages of having a checking account. Some of these include:

Monthly Fees
Per-check charges
Balance Requirements
Interest Rates
How Interest Rates are calculated
How soon you can draw against a deposit
Bounced Check Charges
ATM Charges
Check Card Charges
Stop Payment Fees
Charges for Printed Checks
Locations/Numbers of Branches
Branch Hours

--Debit Cards
Similar to credit cards
Takes money immediately from your account
Very popular
Protect them like cash since anyone who finds it can empty your bank account without any recourse on your part.

Think about these questions:

What are the advantages of using a debit card?
What are the disadvantages of using a debit card?
How to use a debit card
What a debit card costs
Where a debit card is accepted
What debit cards replace
Entering information about a debit card transaction in your check register
Keeping a running balance in your check register

--ATM Cards
Cards are used in Automated Teller Machines
Takes money immediately from your account
Allows you to obtain cash, deposit cash, conduct banking transactions, buy bus passes, postage stamps, gift certificates, and mutual funds, etc.

Consider these questions when wanting to use your ATM card:

Advantages of an ATM card (24 hours a day)
Disadvantages of an ATM card
How to use an ATM card (Choosing a PIN)
Cost of an ATM card
Entering information about an ATM transaction in your check register
Keeping a running balance in your check register

--Electronic Banking
Services Included:

Direct Deposit-earnings (or government payments) automatically deposited into bank accounts, saving time, effort and money.

Automated payments – utility companies, loan payments, and other businesses use an automatic payment system with bills paid through direct withdrawal from a bank.

Automatic Teller Machines-allow customers to obtain cash and conduct banking transactions; some ATMs sell bus passes, postage stamps, gift certificates, and mutual funds

Point of Sale Transactions-acceptance of ATM/check cards at retail stores and restaurants for payment of goods and services.

Stored Value Cards-Prepaid cards for telephone service, transit fares, highway tolls, laundry service, library fee, and school lunches.

Electronic Cash-companies are developing electronic replicas of all existing payment systems-cash, check, credit cards, and coins.

Cyberbanking-banking through online services. Financial institutions with Web site "cyber" branches allow customers to check balances, pay bills, transfer funds, compare savings plans, and apply for loans on the internet.

Smart Cards-sometimes called "electronic wallets", and look like ATM cards; but they contain a microchip. Not only can it store prepaid amounts for buying goods and services, it can also store data about a person's account balances, transaction records, insurance information, and medical history

--**Reconciling** your check register with your bank statement

Steps to follow as you are reconciling your **check register**

1. Obtain the current balance from your bank statement.
2. Add any deposits that you have not recorded in your check register, but that ARE NOT on the bank statement.
3. Subtract any outstanding checks (checks you have written, but that have NOT yet been cleared by the bank)
4. Compare the result of your check register and the bank statement.

Steps to follow as you are reconciling your **bank statement:**

1. Check the account name, the account number, the deposits, the withdrawals, and the account balance
2. Verify check cleared with the check in the check register.
3. Verify deposits and ATM transactions cleared with the deposits and transactions in the check register.
4. Verify check card transactions with the check register.
5. Correct entry errors in the check register
6. Correct deposit or ATM transaction amounts in the check register.
7. Correct check card transaction amounts in the check register.
8. Correct errors of omission in the check register.
9. Find outstanding transactions.

B. Credit Unions

Type of bank formed by a group that has a common interest. This may include ethnic background, employee group or by town. Each person is considered a voting member and is invited to an annual meeting.

Credit Unions generally pay a higher interest rate than commercial banks and have fewer fees. They may have fewer services.

Typical Credit Union Services:

Checking Accounts
Check Card
Savings Accounts
Certificates of Deposit
IRA Accounts
Money markets
Loans
Mortgages
ATM

C. Brokerage Firms

A business where stocks, bonds or mutual funds are sold. You will need to open an account with the firm to take advantage of their services. They can be found in your hometown or on the internet.

2. Types of Accounts Offered

--**Savings Accounts**

Usually the simplest type of account. It generally pays interest which is reported monthly but is accrued daily.

--Passbook/Savings Register

Requires a passbook to make deposits and withdrawals. The "passbook" is updated with interest earned each month.

--Statement Savings

This is an interest bearing savings account that mails a statement which show deposits, withdrawals and interest payments.

--Checking Account

The owner of the account can write a "note" or check drawn against the account to pay money owed. Service fees are based on bank's policy of minimum balance required, number of checks written, etc.

--Merchant Account

A Merchant Account is a special account that allows businesses to accept and collect money from credit cards.

--Certificate of Deposit

A Certificate of Deposit (CD) is a contract with the bank or credit union, which guarantees a customer a specific interest rate on the investment over a specified period of time such as 30 days, 6 months, 1 year or 5 years.

--Your OWN way to save money

Label an envelope for each spending category that you have. Put on the envelope the date and the expected amount to spend for that budgeting period. Each time you take money out of the envelope, put the date and the amount taken out on the outside of the envelope. If you run out of money in one account, you may take money out of another envelope, but write it down. At the end of the recording period you can see where you under spent. With this record you can easily see why your money is not going far enough in some accounts.

D. Is Your Money Safe?

When you deposit your money, the bank pays you interest. Then they use that money to lend money to other people. They charge more interest to the people with the loan. Since the great depression, many people still worry that their bank or credit union may go out of business and that they would lose everything. In this day and age, banks, credit unions, and brokerage firms are covered by federal insurance, which is designed to protect your money if the bank or credit union becomes "insolvent".

Types of Insurance

--FDIC

Credit Unions and banks offer a form of insurance for this depositors. The Federal Deposit Insurance Corporation insures individual depositors up to $100,000 in case a bank or credit union becomes insolvent.

--SIPC

Brokerage firms are similar to banks and credit unions in that they offer their investors an insurance program that protects them if the brokerage firm were to become insolvent, not if their investments lose value. This insurance is called Securities Investors Protection Corporation (SIPC).

E. What is Interest?

Interest is a payment made for borrowing.

Simple Interest occurs when you multiply the balance of money you owe or principal by the interest rate owed, over the course of a year.

Interest is calculated on a percentage of the overall balance. For instance, if you are using simple interest and you owe 7% on a loan, for every $100 borrowed, you will owe $7.00 in interest.

Compound Interest occurs when you multiply the balance or principal by the interest rate more than one time a year. Compound interest can be figured daily, weekly, monthly, quarterly or semi-annually**.**

Interest is calculated on a percentage of the overall balance. For instance, if you are using simple interest and you owe 8% on a loan, for every $100 borrowed, you will owe $7.00 in interest.

Rule of 72 is the most common method used to teach compounding interest. The rule of 72 states that if you divide the number 72 by an investment's annual return, you will determine the number of years it will take to double in value.

Here is an example: if your investment were to return 7.2% annually, it would take 10 years to double (72 / 7.2%=10 years). This rule helps people to understand how potential investments gain.