

The background of the slide features a photograph of large, three-dimensional numbers (1, 2, 3, 4, 5) standing on a light-colored, textured floor. The numbers are semi-transparent, allowing the floor texture to be seen through them. They are arranged in a slightly curved line from the bottom left towards the top right. The lighting creates soft shadows on the floor.

Unit 3:

# **Banks and Other Financial Institutions**

**Personal Financial Literacy**

# Objectives

- List ways to establish a relationship with the financial system.
- Compare the different types of financial institutions.
- List types of saving institutions.
- Discuss how savings accounts work and what restrictions may be imposed.
- Compare the different kinds of checking accounts.

# Financial Institution

- Collects money from the public and then either invests it or uses it to make loans
- Allows individuals and businesses to:
  - Cash checks
  - Write checks
  - Save money
  - Borrow money



# Choose a Financial Institution



- Convenient access
- Availability of ATMs
- Reputation and/or size
- Financial services offered
- Limited or lower fees
- Deposit insurance

# Types of Institutions

- Commercial Banks
- Internet Banks
- Credit Unions
- Savings and Loan Associations
- Mutual Savings Banks

# Products and Services

- Checking and savings accounts
- Money transfers from one account to another
- Automatic deposit and payment
- ATMs
- Preauthorized bill payment to automatically pay bills or make loan payments
- Credit, checks, or debit cards

# Products and Services

- Online banking to pay bills or access account
- Overdraft protection
- Safe deposit boxes to store valuable items
- Investment advice
- Federal insurance on deposits
- Cashier's checks



# Products and Services

- Certified checks
- Certificates of Deposit (CDs)
- Money orders
- Traveler's checks





# How Savings Accounts Work

- Deposits are the principal
- Institution pays interest on principal
  - Simple interest
  - Compound Interest
    - Pays interest on principal and accumulated interest
    - The sooner you start compounding interest, the more money you earn.

# Truth in Savings Act

- Institutions must disclose information about rates, fees, and terms of accounts



# Savings Institutions Benefits

- Commercial bank: Easy to transfer funds
- Credit union: Usually higher interest rates
- Savings and loan: May pay higher interest
- Mutual savings banks: Profits in dividends

# APY

- The earnings on savings - measured by rate of return
- Annual Percentage Yield



# Rule of 72

- Divide 72 by your interest rate:  
The result is how many years it will take to **DOUBLE** your money.



# Savings Account Restrictions

- Service fees?
- Minimum balance to maintain? Penalty?
- Monthly service charges?
- Limit on withdrawals?
- Limit on checks written or amount?

# Online Banking

- Pay bills
- Transfer funds electronically
- Can be safer than checks

# Debit Card



- Subtracts money from your checking account when you make a purchase or use it in an ATM

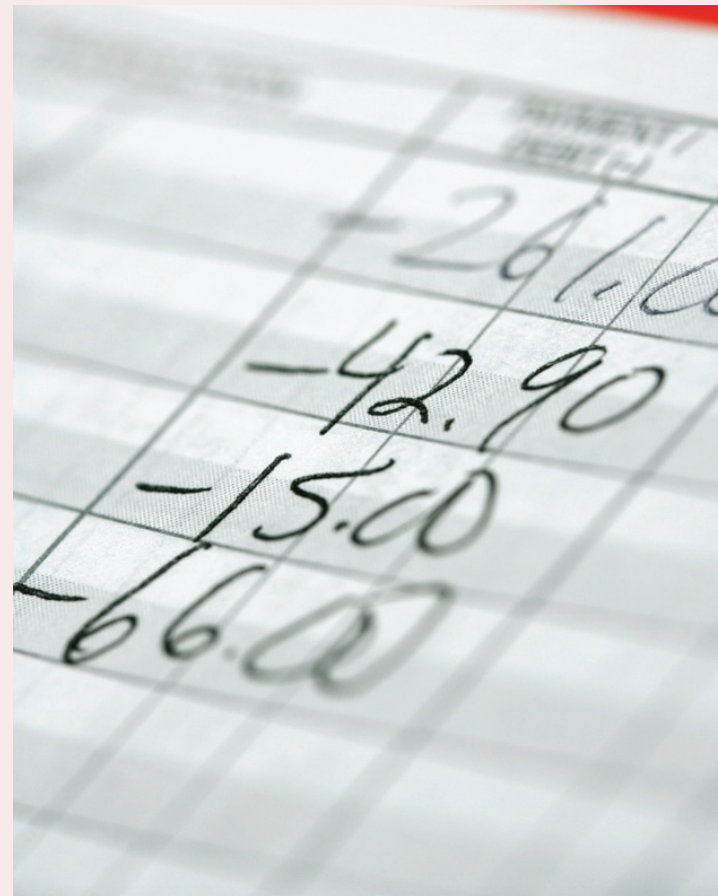


# Overdraft Protection

- Bank covers a check if you don't have the funds
- Average of \$30 per check

# Keeping Track

- Use a check register
- Balance your checking account



# Unit Review

1. Explain the relationship between consumers, financial institutions, and the economy.
2. Define a financial institution.
3. List some of the factors that might go into choosing a financial institution.
4. Distinguish between the types of financial institutions.
5. Explain what a depository institution does, and give examples of depository institutions. Explain what a non-depository institution is.

# Unit Review - Continued

6. How much does the FDIC insure deposits up to?  
What about the NCUA?
7. What is a share account?
8. Discuss the financial services and products often offered by financial institutions.
9. Describe how liquidity works.
10. What are the advantages and disadvantages to high liquidity?
11. Explain how interest on a savings account works.

# Unit Review - Continued

13. What are some of the restrictions that can affect savings accounts?
14. What law requires financial institutions to disclose information about the terms of its accounts to consumers?
15. What is a simple way to figure out how to double your money in a savings account or an investment?
16. Compare and contrast the types of checking accounts.

# Unit Review - Continued

17. How does a checking account differ from a savings account?

*career*tech

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