



**Financial
Literacy**

Unit

4



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Bank Accounts

Words to know:

- ✓ banks
- ✓ savings accounts
- ✓ service charge
- ✓ interest
- ✓ checking accounts
- ✓ photo ID

Where do you store money? In a jar in the cupboard? In your shirt pocket? Hiding money in your house is not safe. Carrying large amounts of money is not safe either. What if your house is robbed or burns down? What if you are robbed? Your money will be gone. Keeping money in a bank is a way to save it and protect it.

Using Banks

Banks are businesses. They offer services to *consumers* in order to use their money. Banks use the money to invest and make more money. Banks offer a safe place to keep extra money. They offer a safe way for you to use your money to pay bills.

Savings Accounts

Saving money means you do not spend it. You keep the money to be used in the future. **Savings accounts** are good places to keep your money for long periods of time. U.S. laws protect your money against loss. That means, if something bad happens to the bank, your money is safe. It will be replaced, up to \$250,000. Money in a savings account will be there when you need it. You can add money to your account. You can take money out of the account.

Some banks have special rules for savings accounts. There might be a monthly **service charge**. A service charge is a small fee charged by the bank. The bank might require you to keep a *minimum balance* in the account. The minimum balance is the smallest amount of money you must keep in the account.

Your savings account will earn a small amount of **interest**. Interest is the money a bank pays to use your money. Interest is a percentage of the money in your savings account. It is paid to you each month. Different banks offer different interest rates.

1. You have \$1000 in your savings account in January. It earns 1% interest each month. How much money will you have in your account on February 15th?
(Refer to the Math Review lessons in Unit 2 for help.)

Starting a Savings Account

You don't need a lot of money to start, or open, a savings account. Some banks require \$25. Some banks require more. You will need **picture identification (photo ID)**. Picture identification proves who you are to the bank.

You will be asked for a social security number. You may be able to use an Individual Tax Identification Number (ITIN). Each bank has different rules. It may be possible to get an ITIN from the Internal Revenue Service. You will need some documents to get an ITIN.

The bank will give you a *register* when you open a savings account. A register is a small book. You use it to keep track of the money you put into your account and the money you take out. The money you put in is called a *deposit*. The money you take out is called a *withdrawal*. Banks usually send savings account reports to customers. These reports are called *statements*. You should compare the bank's statements to your register. That helps you make sure there are no mistakes.

2. Sara opened a savings account with \$25. She deposited \$50 to her account every week for six weeks. Yesterday, she took \$30 out of her savings account. How much money does Sara have in her account now?

3. Tomás opened a savings account with \$50. He deposited \$50 on April 4, \$98 on April 20, and \$93 on May 10. On May 13, he withdrew \$25. Use the register below. Show the deposits and withdrawal Tomás made on it.

Savings Account			Total Amount
Beginning Balance			\$ 50.00
Date	Deposit	Withdrawal	

Checking Accounts

Checking accounts hold your money safely in the bank too. However, the money in checking accounts doesn't stay in the bank for long. It is used to pay bills and buy things. Paying some monthly bills with cash is not possible. Car payments, gas and electric bills, and telephone bills are sent from payment centers. You cannot go to them in person to pay a bill.

If you have a checking account, you can pay a bill by writing a check. Most stores will accept checks as payment too. The check is a piece of paper. You write the amount of money you owe and the name of the person or company you want to pay. Then, you sign the check with your name. The check tells your bank to pay the bill. The money will come from your checking account.

John C. Smith Carol L. Smith 2112 Maple Street Newberg, OR 97132	#160 $\frac{412-50}{1721}$ DATE <u>2-5-06</u>
PAY TO THE ORDER OF <u>Harvey's Garage</u>	\$ <u>38.95</u>
<u>thirty-eight and 95/100</u>	_____ DOLLARS
Star Savings and Loan Association 598 Holland Dr Newberg, OR 97132	
MEMO <u>car repairs</u>	<u>John C. Smith</u>
⑆ 93316 8400 762019884 65438029 160	

In the check above, John C. Smith is telling his bank to pay \$38.95 to Harvey's Garage. The bank will take the money from Mr. Smith's checking account.

You need to keep good records for your checking account. You need to know how much money you have to use. If you write a check for more money than you have in your account, you could get into trouble. The checks you write will *bounce*. That means they will not be paid. Your bank will charge you a fee. The company you wrote the check to can also charge you a fee. If you continue to write *bad checks* for more money than you have, you can be arrested.

Keep records of your checking account in your check register. Use it just like a savings account register. Record deposits and check withdrawals. An example is shown here:

Check register

Date	No.	Transaction	Amount of Deposit	Amount of Payment	Balance
					\$ 500.00
2/29/08	100	electric company		75.00	425.00
3/2/08	101	rent		250.00	175.00
3/5/08	102	grocery store		56.00	119.00
3/7/08		deposit	300.00		419.00

Some banks require a minimum balance in checking accounts. If your account balance falls below the minimum, you might be charged a fee. Be sure to record any bank charges or fees in your check register. When you deposit money into your account, the bank will give you a receipt. Keep the receipt in a safe place. Write the amount of the deposit in your register.

Writing a check

You must buy checks from the bank or elsewhere in order to use them. Your checks will be printed to show your name and address, the bank's name and address, and your account number.

There is a specific way to write a check.

Here is an example.

(NAME AND ADDRESS OF PERSON WHO CAN SIGN CHECK)		DATE	CHECK NUMBER
José Martínez 123 Oak Street Buffalo, NY		June 18 20 12	100
(BUSINESS OR PERSON TO BE PAID)		(AMOUNT OF CHECK WRITTEN IN NUMBERS)	
PAY TO THE ORDER OF <i>John Doe Lumber Yard</i>		\$ 75.82	
<i>Seventy-five and 82/100</i>		DOLLARS	
(NAME AND ADDRESS OF THE BANK)		(AMOUNT OF CHECK WRITTEN IN WORDS)	
Citi Bank 222 Main Street Buffalo, NY			
FOR <i>wood for kitchen trim</i>		<i>José</i>	
1:021000021: 44011150753111211 0100		(SIGNATURE)	
(CHECKING ACCOUNT NUMBER)			
(REASON FOR CHECK)			

Note the following:

- You must write the amount of the check in numbers and in words.
- You must sign the check with your legal signature.
- Record information from every check you write in your check register.

For the following questions, pretend you are José Martínez.

4. Write a check to pay your rent for \$550. Your landlord's name is John Doe.

José Martínez 123 Oak Street Buffalo, NY	102
	Date _____ 20__
<i>Pay to the Order of</i> _____	\$ <input type="text"/>
	_____ Dollars
Country Bank 222 Main St. Buffalo, NY	
<i>For</i> _____	_____
021000021 440 507532 0102	

5. Write a check for groceries at Wegman's for \$45.69.

José Martínez 123 Oak Street Buffalo, NY	103
	Date _____ 20__
<i>Pay to the Order of</i> _____	\$ <input type="text"/>
	_____ Dollars
Country Bank 222 Main St. Buffalo, NY	
<i>For</i> _____	_____
021000021 440 507532 0103	

6. Write a check to the Telephone Company for \$26.47.

José Martínez 123 Oak Street Buffalo, NY	104 Date _____ 20__
Pay to the Order of _____ \$ 	Dollars
Country Bank 222 Main St. Buffalo, NY	
For _____	
021000021 440 507532 0104	

7. Record the information from the three checks you wrote in the register below.
 Your beginning balance is \$700.

Date	No.	Transaction	Amount of Deposit	Amount of Payment	Balance
					\$
----	101	Sample	----	----	----
	102				
	103				
	104				

8. Why should you use savings and checking accounts? Give at least two reasons.

Notes:

☞ End of Lesson 2 ☞