



**Financial
Literacy**

Unit

4



National PASS Center
Genesee Migrant Center
3 Mt. Morris-Leicester Road
Leicester, NY 14418
(585) 658-7960
(585) 658-7969 (fax)
www.migrant.net/pass

Authors: Kate Warner
Linda Shanks
Sally Fox
Valerie Putney

Editor: Sally Fox

Proofer: Donna Katter

Formatting: Eva McKendry
Kate Warner

Graphics: Eva McKendry
Kate Warner
Linda Shanks
Sally Fox
Valerie Putney

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Money Orders

Words to know:

- ✓ money order
- ✓ receipt

Do you want to send money to someone? What is the safest way to do this? Never send cash in the mail. If the cash is lost or stolen, you do not have a record of it. You will not get the money back. A safer way to send money is to use a **money order**.

How Money Orders Work

A money order is like a check. You don't need an account to use a money order. You can buy one from a bank. You can buy one from the post office. Some stores sell money orders. You buy a money order for the exact amount you need. You will be charged a small fee for it.

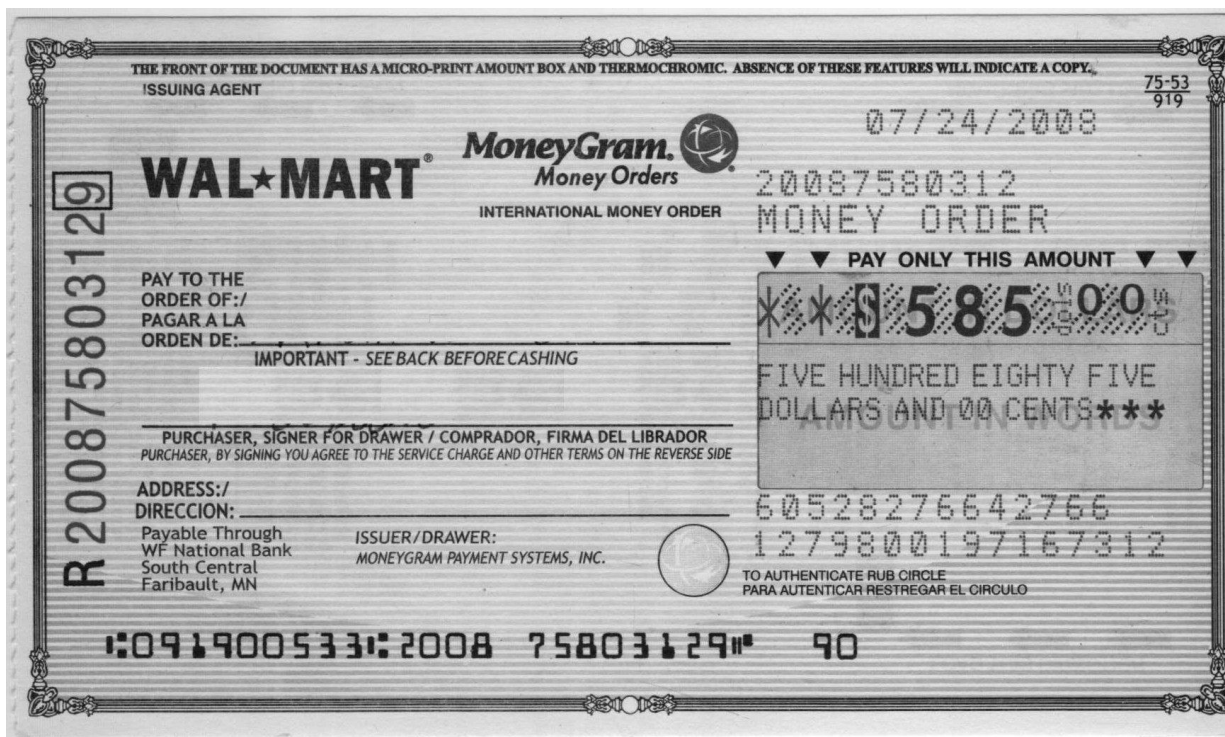
As soon as you get a money order, fill in the information on it. Write in the name of the person or company you are paying. The bank or post office may fill in that information for you. If there is no name on the money order and it is stolen, anyone could get cash for it.

You will get a receipt for your money order. The receipt shows

- who bought it
- the name of the person who can cash it
- the amount of the money order.

Keep the receipt. If the money order is lost or stolen, you can get your money back.

Look at the sample money order that follows. Review it carefully and then answer the questions on the next page.



Academic & Career Readiness Skills

1. Where was the money order purchased? _____
(Hint: Look at the top.)

2. What is the amount of the money order? _____

3. Who is the issuer of the money order? _____

4. What is the date of the money order? _____

5. What bank handles the money? _____

Cashing a Money Order

To cash a money order, you could go to a bank. At some banks, you must have an account in order to cash a money order. You could go to a post office or to a store. You will need a photo ID to prove the money order is for you. A photo ID is picture identification. A driver's license is an example of photo ID. It has your name, address, and picture on it. After you prove that you are the person named on the money order, you will be given the amount written on it.

Now you try!

- Fill out the following money order. Use your name and address. You are paying \$159 to Rochester Gas & Electric at 234 Maple Street, Rochester, NY 14216.

| UNITED STATES OF AMERICA MONEY ORDER | | | | | |
|--------------------------------------|--------------------------|--------------|----------------|------------------------------|-----|
| 061932748511 SERIAL NUMBER | 120629 YEAR MONTH DAY | | 975656 BANK | \$ U.S. DOLLARS AND CENTS | |
| <u>PAY TO</u> | | | <u>FROM</u> | | |
| STREET | | | STREET | | |
| CITY | STATE | ZIP | CITY | STATE | ZIP |
| 000:80009: 3: | | 375628172483 | | 56567 | |

7. Now fill out this money order. You want to pay \$55 for shoes to Sandy's Shoe Catalog Sales at 124 Hill Road, Los Angeles, CA 90034.

| UNITED STATES OF AMERICA MONEY ORDER | | | | | |
|---|--------------------------|----------------|-------------|------------------------|-----|
| 439856012711 SERIAL NUMBER | 120322 YEAR MONTH DAY | 975656 BANK | \$ | U.S. DOLLARS AND CENTS | |
| <u>PAY TO</u> | | | <u>FROM</u> | | |
| STREET | | | STREET | | |
| CITY | STATE | ZIP | CITY | STATE | ZIP |
| 000:80009: 3: | | 375628172483 | 56567 | | |

Fees for Money Orders

In most cases, you will be charged a small fee to buy a money order. The fee may be set. Or it may depend on the amount of the money order. You may find that a checking account is an easier and cheaper way to pay bills or send money. You learned about checking accounts in Lesson 2.

Example: The Glendale Savings Bank sells money orders according to the fees shown below. Tony wants to buy a money order in the amount of \$35.50. How much will he pay in total?

Solution

Notice from the schedule that the fee for \$35.50 is \$1.45.

| FEES | |
|---------------------|----------|
| \$10.00 or less | — \$0.65 |
| \$10.01 to \$50.00 | — \$1.45 |
| \$50.01 to \$300.00 | — \$1.95 |

Add the fee to the amount of the money order.

$$\begin{array}{r}
 \$35.50 \text{— amount of money order} \\
 + \quad \underline{1.45} \text{— fee} \\
 \hline
 \$36.95 \text{— total}
 \end{array}$$

Tony will pay \$36.95 for the money order.

Example: Mastin’s Grocery Store charges a 2% fee for money orders. There is a minimum charge of \$0.75. Marie wants to buy a money order in the amount of \$36.00. How much will she pay in total?

Solution

Convert the percentage to a decimal.

$$2\% = 0.02 = \text{fee rate as a decimal}$$

Multiply the amount of the money order by the fee rate.

$$\begin{array}{r}
 \$36.00 \text{— amount of money order} \\
 \times \quad \underline{0.02} \text{— fee rate as a decimal} \\
 \hline
 \$0.72 \text{— fee}
 \end{array}$$

A \$.72 fee is less than the minimum. The store will charge Marie the minimum fee of \$.75.

Add the fee to the amount of the money order.

$$\begin{array}{r}
 \$36.00 \text{— amount of money order} \\
 + \quad \underline{\$0.75} \text{— fee} \\
 \hline
 \$36.75 \text{— total}
 \end{array}$$

Marie will pay \$36.75 for her money order.

Now you try! The Gas Station sells money orders according to the fees shown at right.

| FEES | |
|---------------------|----------|
| \$50.00 or less | — \$0.69 |
| \$50.01 to \$100.00 | — \$1.29 |
| \$100.01 or more | — \$1.89 |

8. Kareem wants a money order in the amount of \$82.00. How much will he pay in total?

9. Tami wants a money order in the amount of \$154.62. How much will she pay in total?

Silver Bank charges a 2% fee for money orders, with a minimum charge of \$0.75.

10. Ruth Morris wants a money order in the amount of \$89.00. How much will she pay in total?

11. Lucy wants a money order in the amount of \$33.50. How much will she pay total?

Notes:

☞ End of Lesson 4 ☛