



Lesson Six

Banking Services

banking services websites



Students will make wise choices about their banking services once they understand such fundamentals as: selecting and managing a bank account; using debit cards; and safeguarding personal information against identity theft.

For related links and resources on this lesson, visit:
practicalmoneyskills.com/teens/6

banking services lesson outline

overview

If the fee for an ATM transaction to withdraw money is \$1 and a person withdraws money twice a week, the banking fees for that person will be \$104 a year. Over a five-year period, those fees invested at five percent would grow to more than \$570.

Most students know that banks and other financial institutions (credit unions, savings and loan associations) offer a variety of services. However, few people know how to make wise choices when using financial services. In this lesson, students will learn about the different types of financial service products available and the features of each.

When selecting a checking account, remind students to consider the required balance, monthly fees, interest earned, cost of printing checks, and charges for other fees and services.

goals

Provide practice in comparing and evaluating various banking services, including checking and savings accounts, debit cards/ATM, and online banking. Perform the tasks associated with maintaining checking and savings accounts.

lesson objectives

- Understand the services offered by banks, savings and loans, and credit unions
- List some of the factors to consider when shopping for bank services
- Understand the responsibilities of having a checking account
- Write checks and keep a running balance in a checkbook
- Describe how to deposit a check
- Read and interpret a checking account statement
- Reconcile a checking account using a checking account statement and a check register
- Describe what an ATM card is and explain how it is used
- Describe what a debit card is and explain how it is used



presentation slides

- 6-A** beware of these high-cost financial services
- 6-B** comparing checking accounts
- 6-C** opening a checking account
- 6-D** making a deposit
- 6-E** endorsing a check
- 6-F** writing a check

banking services lesson outline

6-G keeping a running balance: check transaction, ATM card transaction, debit card transaction

6-H reading a bank statement

6-I reconciling a checking account

6-J electronic banking services

6-K smart cards

student activities

6-1 Choosing a Checking Account

- Using the guidelines provided in class, have students shop for a checking account
- Discuss what they found. Which bank or credit union would they choose? Why?

6-2 Keeping a Running Balance in a Check Register

- Using the examples provided, have students keep a running balance in a check register

6-3 Reading and Interpreting a Bank Statement

- Have students answer the questions regarding the sample bank statement

6-4 Reconciling an Account

- Using the examples provided, have students reconcile the example account

6-5 Lesson Six Quiz

supplemental materials

- Banking Terms
- A Primer on Debit and ATM Cards

For more information, please refer to the Appendix.

banking services target audiences

Learning activities appropriate to varied target audiences for lesson six

			
activity	teenagers (14-18)	young adults (19-25)	adults (26+)
Survey/Interview	●	●	
Student Activity 6-1	●	●	●
Student Activity 6-2	●	●	
Student Activity 6-3	●	●	●
Student Activity 6-4	●	●	●
Web Activity	●	●	●
Lesson Six Quiz 6-5	●	●	●

banking services teaching notes

financial institutions and services

1. Bank services
 - Checking and savings accounts
 - Interest
 - Automatic deposit and payment
 - Storage of valuables
 - Transfer of money
 - Overdraft checking
 - Traveler's checks
 - FDIC (Federal Deposit Insurance Corporation)
 - Credit and debit cards
 - Certificates of Deposit (CDs)
 - ATMs
2. Savings & loans (S&Ls)
3. Credit unions
4. How banks differ from savings & loans and credit unions



discussion



survey/interview:

Have students talk to others to obtain information about financial services they use.

supplemental materials

advantages/disadvantages of having a checking account



discussion

choosing a checking account

1. Monthly fees
2. Per-check charges
3. Balance requirements
4. Interest rate
5. How rates are calculated
6. How soon you can draw against a deposit
7. Bounced check charges
 - On your check
 - On a check you deposited
8. ATM charges
9. Debit card charge
10. Stop payment fees
11. Charges for printed checks
12. Locations/number of branches
13. Bank hours
14. Online banking option
15. Bill pay option



discussion



student activity 6-1

banking services teaching notes

shopping for a checking account



student activity 6-1

opening a checking account

1. Signature authorization card
2. The contract and what it means
3. Initial deposit



discussion



slide 6-C

making a deposit

1. Writing a deposit slip
2. Endorsing a check
 - Blank endorsement
 - Restrictive endorsement
 - Special (or full) endorsement
3. Depositing a check
 - Direct deposit
 - Manual deposit



slides 6-D & 6-E

writing a check and keeping a running balance

1. Writing a check
2. Entering information about a check in your check register
3. Keeping a running balance in your check register



discussion



student activity 6-2



slides 6-F & 6-G

banking services teaching notes

using an ATM card and keeping a running balance

Students may wish to visit a local bank to find this information on their own.

1. What it is
2. What it looks like
3. Advantages of using
4. Disadvantages of using
5. How to use:
 - Choosing a personal identification number (PIN)
6. What it costs
7. Entering information about an ATM transaction in your check register
8. Keeping a running balance in your check register



discission



student activity 6-2

supplemental material

using a debit card and keeping a running balance

Because debit cards are widely used, a local bank officer would be a good guest speaker for this topic.

1. What it is
2. What it looks like
3. Advantages of using
4. Disadvantages of using
5. Difference from a credit card
6. How to use it
7. What it costs
8. Where it is accepted
9. What it replaces
10. Entering information about a debit card transaction in your check register
11. Keeping a running balance in your check register



discussion

supplemental material

banking services teaching notes

interpreting a bank statement and reconciling an account

1. Reading a bank statement
2. Reconciling an account
 - Checking the bank statement
 - Verifying checks in the check register
 - Verifying deposits and ATM transactions
 - Verifying debit card transactions
 - Correcting entry errors in the check register
 - Correcting deposit or ATM transaction amounts in the check register
 - Correcting debit card transaction amounts in the check register
 - Correcting errors of omission in the check register
 - Finding outstanding transactions
3. Practice reading a bank statement
4. Practice reconciling an account
 - Have students supplement this activity by balancing their parents' accounts



discussion



student activity 6-3



student activity 6-4



slide 6-H

online and electronic banking

- 24/7 account access
- Direct deposit
- Automated bill payments
- Money transfers

lesson six quiz



quiz 6-5



keeping a running balance *answer key*

record deposits and keep a running balance in the checkbook register below.

1. On May 26, your balance is \$527.96.
2. On May 27, you write check #107 to your landlord, Mrs. Wilson, for \$226.00.
3. On May 28, you use your check card at Foodland for \$22.52.
4. On June 1, you write a check for \$156.32 to Bank of Illinois for your car payment.
5. On June 1, you realize your check to the Bank of Illinois should have been for \$165.23, so you void the first check and write a new check for \$165.23.
6. On June 2, you write a check to Interstate Phone Service for \$62.77.
7. On June 2, you use your ATM card to withdraw \$20.00.
8. On June 15, your paycheck for \$425.00 is automatically deposited.
9. On June 15, you use your check card at Gifts Plus to buy a \$18.99 birthday present for your mother.
10. On June 15, you write a check for \$246.45 to State Ranch to cover car insurance premium.
11. On June 22, you transfer \$100.00 online from your checking account to your savings account.
12. On June 24, you use your check card at Gas Up to fill up your car. You spend \$12.88.
13. On June 28, you use your ATM card to withdraw \$30.00 from your checking account.

CHECK NO.	DATE	DESCRIPTION	TRANSACTION AMOUNT	DEPOSIT AMOUNT	BALANCE
					527.96
107	5/27	Mrs. Wilson	226.00		226.00
		rent			301.96
ChkCard	5/28	Check-card Foodland	22.52		22.52
		groceries			279.44
108	6/1	Bank of Illinois	156.32		156.32
		car payment			25.12
109	6/1	Bank of Illinois	165.23		165.23
		car payment			114.21
110	6/2	Interstate Phone Service	62.77		62.77
		phone			51.44
ATM	6/2	cash withdrawal	20.00		20.00
					31.44

keeping a running balance *answer key*

CHECK NO.	DATE	DESCRIPTION	TRANSACTION AMOUNT	DEPOSIT AMOUNT	BALANCE	
						31 44
ATM	6/15	deposit		425 00		425 00
		pay check				456 44
ChkCrd	6/15	Check card- gift plus mom's b-day	18 99			18 99
						437 45
111	6/15	State Ranch	246 45			246 45
		insurance				191 00
ATM	6/22	transfer to savings	100 00			100 00
						91 00
ChkCrd	6/24	Check card- Gas Up	12 88			12 88
		gasoline				78 12
ATM	6/28	withdrawal	30 00			30 00
						48 12

use the check register you just completed to answer the following questions:

1. What was your account balance on May 30?
\$279.44

2. Could you have paid your car insurance payment on June 1 instead of June 15? If not, why?
No—the payment was \$246.45 but the account balance on June 1 was only \$114.21

3. The love of your life has been in a bad mood lately, and you think an expensive present might help. You've found a leather jacket on sale for \$189.00. Can you afford to buy the jacket on June 8? What will your account balance be if you do?
No—the account will be overdrawn by \$157.56

4. The hottest new band in town has just released a CD. It costs \$21.99. Can you afford to buy the CD on June 2? What will your account balance be if you do?
Yes—\$9.45

5. What was your account balance after you withdrew \$30.00 on June 28?
\$48.12

6. What was the amount of check #111, to whom did you write it, and for what?
\$246.45 to State Ranch for a car insurance payment



reading a bank statement *answer key*

using the bank statement information on the next page, answer the following questions:

1. What period does this statement cover?
6/04/09 - 7/29/09
2. What is the account number of this statement?
0471-678
3. How many deposits were made and what were the amounts?
Three, for the amounts of \$1,200, \$521.78, and \$258.90
4. How many checks cleared and what was the total dollar amount of the checks that cleared?
Six, for a total amount of \$1,590.25
5. Were there any ATM withdrawals? If so, how many were there and what was the total amount?
Yes—three for a total amount of \$80.00
6. What is the total of all withdrawals (checks, ATM transactions, check card transactions, service charges)?
\$1,670.25
7. What is the new balance of the account?
\$922.47
8. Did check #182 clear?
Yes
9. What was the amount of check #183?
\$217.54
10. Did check #185 clear?
No
11. What was the amount of check #181?
\$15.00

reconciling an account

ITEMS OUTSTANDING

NUMBER	AMOUNT	
TOTAL		

enter

The **New Balance** shown on your statement \$ 103.69

add

Any deposits or transfers listed in your register that are not shown on your statement \$ 253.17
\$ _____
\$ _____

total

+\$ 253.17

calculate the subtotal

\$ 356.86

subtract

Your total outstanding checks and withdrawals -\$ 36.31

calculate the ending balance

This amount should be the same as the current balance in your check register \$ 320.55

use the check register you just completed to answer the following questions:

1. What is the new balance shown on the statement?
\$103.69
2. What is the total of the deposits listed in the check register but not shown on the statement?
\$253.17
3. What is the sum of the new balance and the deposits not shown on the statement?
\$356.86
4. What is the total amount of outstanding checks and withdrawals?
\$36.31
5. What is the ending balance?
\$320.55



lesson six quiz: banking services

answer key

true-false

1. f A pawnshop offers loans to people starting their own business.
2. t Opening a checking account requires completing a signature card.
3. t A blank endorsement allows anyone to cash a check.
4. t A “smart card” stores a person’s bank balance right on the plastic card.
5. f An outstanding check refers to one written on an account with a very low balance.

multiple choice

6. C The highest loan rates usually occur when borrowing from a:
A. bank
B. credit-card company
C. pawnshop
D. credit union
7. B A _____ is used to add funds to a bank account.
A. check
B. deposit slip
C. signature card
D. withdrawal slip
8. A Obtaining cash from an ATM is similar to:
A. writing a check
B. making a deposit
C. opening a new account
D. earning interest on your account
9. B A service charge on your bank statement will result in:
A. a higher balance
B. a lower balance
C. earning more interest
D. more outstanding checks

case application

A recent bank statement for Tracy Gray revealed various service charges and fees of over \$10. How might Tracy reduce her costs for banking fees? *Tracy should start by analyzing her financial services habits. For example, if she uses an ATM often, the fees could be high. Or, if her checking account goes low she may have to pay a monthly fee or other charges for overdrawn accounts. If her fees are still high after careful use of banking services, she should compare the costs at other banks or a credit union and consider moving her account.*

lesson six

banking services



supplemental materials

banking terms

account

Money deposited with a financial institution for investment and/or safekeeping purposes.

assets

Items of monetary value (e.g., house, land, car), owned by an individual or a company.

atm

Acronym for automated teller machine.

balance

An outstanding amount of money. In banking, balance refers to the amount of money in a particular account. In credit, balance refers to amount owed.

bank

An establishment for lending, issuing, borrowing, exchanging, and safeguarding money.

bond

An IOU issued by a corporation, the U.S. government, or a city and held by the lender as receipt that the business or institution has borrowed a specific amount of money. All bonds pay interest yearly and are payable in full at a specified date written on the bond.

bounced check

A check that a bank has refused to cash or pay because there are no funds to cover it in the account.

canceled check

A “used” check that has been paid and subtracted from the check-writer’s account. Canceled checks have extra data on them from the bank.

capital

A stock of accumulated wealth used or available for producing more wealth.

cash

Money in the form of paper and coins (e.g., U.S. dollars and cents). In banking, the act of paying a check.

cashier’s check

A check issued by a bank, drawn on its own funds rather than on one of its depositors.

certificate of deposit

A savings account in which an individual promises to deposit the money for a set period of time, for which the bank typically pays higher interest than a regular savings account.

charge card

A plastic card that gives access to a line of credit. The line of credit is theoretically limitless, but users are expected to repay their balance in full every month.

check

Any written document instructing a bank to pay money from the writer’s account.

check card

See debit card

checking account

An account for which the holder can write checks. Checking accounts pay less interest than savings accounts, or none at all.

clear

A check “clears” when its amount is debited (subtracted) from the payer’s account and credited (added) to the payee’s account.

banking terms (continued)

collateral

Anything that a bank accepts as security against the debtor's not repaying a loan. If the debtor fails to repay the loan, the bank is allowed to keep the collateral. Collateral is most commonly in the form of real estate (e.g., a home).

commercial bank

Nongovernmental financial institutions. Sometimes called full-service banks because they provide a wide range of services, such as checking and savings accounts, credit and loan arrangements, and safety deposit box rentals. Commercial banks also sell and redeem U.S. savings bonds.

compound interest

Interest calculated not only on the original principal, but also on the interest already accrued.

credit

In business, buying or borrowing on the promise to repay at a later date. In any credit arrangement there is a creditor (a person, bank, store, or company to whom money is owed) and a debtor (the person who owes money). In bookkeeping, a sum of money due to an individual or institution.

credit bureau

An agency that checks credit information and keeps a complete file on people who apply for and use credit.

credit card

A plastic card that gives access to a line of credit. Users are limited in how much they can charge, but they are not required to repay the full amount each month. Instead the balance (or "revolve") accrues interest like a loan. No interest is owed if the balance is paid in full each month.

credit score

A credit score is a rating of your use of credit based on: your payment history; amount owed; the length of your credit history; new credit; and the types of credit you use. Scores can range from 300 to 850, and the higher the score, the better your rating. Scores affect the terms and interest rates on the loans you receive.

credit union

A member-owned financial institution, either state or federally chartered.

currency

Money—anything used as a common medium of exchange. In practice, currency means cash, particularly paper money. Bankers often use the phrase "coin and currency" to refer to cents and dollars.

debit

A bookkeeping term for a sum of money owed by an individual or institution; a charge deducted from an account.

debit card (also known as check card)

A banking card enhanced with ATM (automated teller machine) and point-of-sale (POS) features that can be used to purchase goods and services electronically. Transactions are deducted from the cardholder's checking account either immediately or within one to three days. Depending upon the type of card, a debit card may require a signature or entering a PIN.

banking terms (continued)

demand deposit

A checking account.

deposit slip

An itemized slip showing the exact amount of paper money, coin, and checks being deposited to a particular account.

depositor

An individual or company that puts money in a bank account.

endorse

To write the payee's own signature on the back of a check before cashing, depositing, or giving it to someone else. The first endorsement must be made by the payee to authorize the transaction. Later endorsements may be made by whoever receives the check.

federal reserve system

A governmental agency established by Congress to organize and regulate banking throughout the United States. The twelve reserve banks keep paper and currency reserves for affiliated banks.

interest

The fee paid for the use of money. Interest may be paid, for example, by an individual to a bank for a credit card loan, or by a bank to an individual for holding a savings account; interest is expressed in terms of annual percentage rate (APR).

joint account

A savings or checking account established in the names of more than one person (e.g., parent/child, wife/husband).

liabilities

Money owed to individuals, businesses, or institutions.

line of credit

An authorized amount of credit given to an individual, business, or institution.

market economy

An economic system permitting an open exchange of goods and services between producers and consumers, such as is found in the United States.

money

Anything generally recognized as a medium of exchange.

mortgage

A legal agreement that creates an interest in real estate between a borrower and a lender. Commonly used to purchase homes, mortgages specify the terms by which the purchaser borrows from the lender (usually a bank), using his or her title to the house as security for the unpaid balance of the loan.

overdraft

A check written for more money than is currently in the account. If the bank refuses to cash the check, it's said to have bounced.

passbook

A booklet given by the bank to the depositor to record deposits, withdrawals, and interest earned on a savings account.

payee

An individual or company to whom a check is written; one who receives money as payment.

payer

An individual or company who writes a check; one who gives money as payment.

banking terms (continued)

principal

The original amount of money borrowed, deposited, or invested before interest accrues.

refinance

To revise a loan agreement to make the terms of payment more suitable to a borrower's present income and ability to repay.

savings account

A bank account that accrues interest in exchange for use of the money on deposit.

savings and loan association

State-chartered or federally chartered financial intermediary that accepts deposits from the public and invests those funds primarily in residential mortgage loans.

service charge

A monthly fee a bank charges for handling a checking account.

stop payment

A request made to a bank to not pay a specific check. If requested soon enough, the check will not be debited from the payer's account. Normally there is a charge for this service.

terms

The period of time and the interest rate arranged between creditor and debtor to repay a loan.

withdrawal

An amount of money taken out of an account.

a primer on debit and ATM cards

The following information has been gathered in order to assist you as you introduce your students to the usage and features of debit cards.

what is a debit card?

A debit card is a service provided by a bank. It is a banking card enhanced with automated teller machine (ATM) and point-of-sale features to become a debit card. It can be used for purchases at merchants. Debit cards are linked to an individual's checking account, allowing funds to be withdrawn at the ATM and point-of-sale without writing a check.

what is an example of a debit card?

A debit card is a financial institution's ATM card with point-of-sale features that incorporates a specific acceptance mark (like Visa). Payment is completed by signing a sales draft or by entering a PIN, and then the amount of the sale is deducted from the cardholder's checking account within one to three days.

A regular ATM card doesn't have a Visa logo, but instead is good only where the merchant accepts those brands or at an ATM.

what does it do?

A debit card enables the cardholder to pay for purchases via a bank card linked to their checking account.

how is a debit card used?

When using a debit card to pay for goods and services, the purchase amount is deducted from the cardholder's checking account. Depending on the type of card, processing a debit card transaction requires the cardholder either to sign a sales draft, or to enter a PIN into special terminal, just like at an ATM.

benefits of using a debit card:

- Convenience. The payment process at the checkout counter is made quicker and more convenient. No need to fill out a check or to present identification and wait while the identification is written down or verified.
- Eliminates the need to carry a checkbook and a lot of cash.
- Useful budgeting tool to track purchases.
- Doesn't deplete the available cash in your wallet.
- Can be used out of town or at locations where personal checks are not accepted.
- Reduces the possibility of loss or theft of cash.
- Is not a loan, no interest accrues on purchases.

a primer on debit and ATM cards (*continued*)

disadvantages of using debit cards:

- The cardholder must be certain of his or her checking account balance as it might be possible to make purchases beyond the funds available, resulting in fees.
- Can encourage impulse spending.

where are debit cards accepted?

Debit cards can be used at merchant locations wherever the card logo is displayed.

what does it cost?

Banks determine if there are any fees for each card and/or transaction.

how do you keep track of your debit card transactions?

Debit card holders receive a receipt at each ATM or merchant location. Users typically record debit card purchases in the registers of their checking accounts provided by their financial institutions or track their account activity online. By deducting debit card transactions from an account on a regular basis, a debit card holder will be able to maintain the most up-to-date available balance. Making debit card purchases and ATM withdrawals that exceed your account balance can lead to overdraft charges, although a new law that went into effect July 1, 2010 requires consumers to opt in to overdraft services in order to be charged.