

Personal Management

Troop 9
Nov. 12, 2009

Banks

- Institutions that “Rent” and “Loan” Money
 - The bank “borrows” money from people
 - They pay you interest (“rent” for the use of the money)
 - They lend the money to others
 - They charge interest (“fee” for the use of the money)

Bank Accounts

- Savings
- Checking

Bank Accounts

- Savings
 - Simple and safe (guaranteed by Federal Government)
 - Keeps money in safe place to be used for a future near term purchase or for emergencies
 - You deposit money with the bank; they pay you interest
 - Withdraw the money when you want
 - Earns interest
 - Not substantial – usually less than the inflation rate, but better than keeping at home

Bank Accounts

- Checking
 - Keeps money in safe place
 - Used to pay bills and other expenses
 - Bank holds the money and you can draw that money out by writing a **check** or using a **debit card**.
 - A check is a promise to pay. The money is removed from your checking account and transferred to the person or his/her account
 - Debit card is an electronic check. Money is immediately deducted from your checking account.
 - Note: often people get cash from an Automatic Teller Machine (ATM). Be careful, as some banks charge ATM fees that can be very costly in the long run.
 - Electronic banking allows people to bypass the written check and transfer money online; same principle, but done electronically.
 - Very important to keep track of your balance (amount in the account)
 - If you write a check for more than the amount in your account, that called an “overdraft” and usually results in a substantial penalty
 - Don’t write a check expecting it to take a long time to “clear” – the process is very fast.

How to write a check exercise

- Write the date
- “Pay to the order of” means who you’re writing the check to.
- Next, write the dollar amount in figures.
- Next, write out the dollar amount in words and the cents as a fraction (e.g. Fourteen and 25/100)
- The memo is for your use. Some use it to indicate what the check is for.
- Finally, sign the check.

| | | |
|--|-----------------|---------------------------|
| JOE E. SCOUT 2121 Cornhusker Highway Reston, VA 22090 | | 1234 Date _____ |
| Pay to the Order of _____ \$ _____ | | |
| _____ Dollars | | |
| First National Bank of Lincoln 1405 Touchdown Street Lincoln, Nebraska 68005 | | |
| Memo _____ | | _____ |
| 234945980 | 68113245 | 1234 |

Notes about Banks

- Banking is a competitive business, so it pays to shop around (remember “smart shopping?”)
- Most offer no-fee checking accounts; some require minimum balances
- Most require you to pay for your own checks
- Most offer online access for free
- Interest rates can vary
- Some charge ATM fees

Summary

- Tonight we covered banking, savings accounts, and checking accounts
- For next session:
 - Progress check on budget worksheets
 - Reading: Saving versus Investing (p 31 – 39)