

## LESSON PLAN

### Banking Services

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.

#### Learning Objective(s):

- Understand the services offered by banks, savings and loans.
- 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

#### Target Group:

- **Grade 7 – Grade 8**

#### Lesson Excerpt:

If the fee for an ATM transaction to withdraw money is \$60 and a person withdraws money three times per week, the banking fees for that person will be over \$9,000 a year. Over a five-year period, those fees invested at five percent would grow to more than \$47,000.

Most students know that banks and other financial institutions (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 etc.

## **Students' Activities:**

### **1-1 Choosing a Checking Account**

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

### **1-2 Keeping a Running Balance in a Check Register**

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

### **1-3 Reading and Interpreting a Bank Statement**

- Have students answer the questions regarding the sample bank statement

### **1-4 Reconciling an Account**

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

### **1-5 Lesson Quiz**

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## **1-1 Financial Institutions and Services**

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

- Bank Services:
  - Checking and savings accounts
  - Interest
  - Storage of valuables
  - Transfer of money
  - Certificates of Deposit (CDs)
  - ATMs
- Savings & Loans (S&Ls)

### **1-2 Advantages/Disadvantages of having a Checking Account**

### **1-3 Choosing a Checking Account**

- Monthly fees
- Per-check charges
- Balance requirements
- Interest rate
- How soon you can draw against a deposit
- Bounced check charges
  - On your check
  - On a check you deposited
- ATM charges
- Charges for printed checks
- Online banking option
- Bill pay option

#### **1-4 Shopping for and Opening a Checking Account**

- Signature authorization card
- The contract and what it means
- Initial deposit

#### **1-5 Making a Deposit**

- Writing a deposit slip
- Endorsing a check
- Depositing a check

#### **1-6 Writing a Check and Keeping a Running Balance**

- Writing a check
- Entering information about a check in your check register
- Keeping a running balance in your check register

#### **1-7 Using an ATM Card**

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

- What it is
- What it looks like
- Advantages of using
- Disadvantages of using
- How to use:
  - Choosing a personal identification number (PIN)
- What it costs

#### **1-8 Interpreting a Bank Statement and Reconciling an Account**

- Reading a bank statement
- Reconciling an account:
  - Checking the bank statement
  - Verifying checks in the check register
  - Verifying deposits and ATM transactions
  - Correcting entry errors in the check register
  - Correcting errors of omission in the check register
  - Finding outstanding transactions
- Practice reading a bank statement
- Practice reconciling an account:
  - Have students supplement this activity by balancing their parents' accounts

## **1-9 Online and Electronic Banking**

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

## **2.0 Lesson Quiz**

## LESSON MATERIAL

### Choosing a Checking Account

**name of bank:**

**branch information**

■ Branch nearest your home:

■ Branch nearest your work:

■ Number of branches:

**number of ATMs:**

**bank hours:**

**are your funds insured?**

**types of accounts:**

**fees:**

■ Must maintain a minimum daily balance of:

■ Must maintain an average daily balance of:

■ Monthly maintenance charge:

**Interest:**

■ How much interest do you earn on your account?

■ How is it calculated?

### Keeping a Running Balance

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 your car insurance premium.



## Reading a Bank Statement

<b>THIS STATEMENT COVERS</b> 5/20/09 through 6/18/09							
<b>CHECKING ACCOUNT</b> 0471-678	<b>Previous Statement Balance On 5/19/09</b>		612.04				
	<b>Total of 3 Deposits For</b>		1,980.68 +				
	<b>Total of 9 Withdrawals For</b>		1,670.25 -				
<b>New Balance</b>		922.47 +					
<b>CHECKS &amp; OTHER DEBITS</b> 0471-678	<b>CHECK</b>	<b>DATE PAID</b>	<b>AMOUNT</b>	<b>CHECK</b>	<b>DATE PAID</b>	<b>AMOUNT</b>	
	181	5/24	15.00	184	5/17	1232.27	
	182	6/04	17.00	186	5/30	54.47	
	183	5/26	217.54	187	6/03	53.97	
	Withdrawal #00281 at ATM #423A					5/24	40.00
	Withdrawal #02628 at ATM #423A					5/30	20.00
	Withdrawal #08744 at ATM #430E					6/15	20.00
<b>DEPOSITS &amp; OTHER CREDITS</b>					<b>DATE POSTED</b>	<b>AMOUNT</b>	
	Transfer from 4039-557 at ATM #423C				5/27	1200.00	
	Customer Deposit at ATM #423A on 5/12				6/14	521.78	
	Direct Deposit from #05323 on 5/17				6/18	258.90	
<b>ATM LOCATIONS USED</b>	423A: 2500 Centre Plaza, Anytown, USA						
	423C: 3500 Centre Plaza, Anytown, USA						
	430E: 945 Hamilton Avenue, Big City, USA						

Using the above Bank Statement, answer the following questions:

1. What period does this statement cover?
2. What is the account number of this statement?
3. How many deposits were made and what were the amounts?
4. How many checks cleared and what was the total dollar amount of the checks that cleared?
5. Were there any ATM withdrawals? If so, how many were there and what was the total amount?
6. What is the total of all withdrawals (checks, ATM transactions, check card transactions, service charges)?
7. What is the new balance of the account?
8. Did check #182 clear?
9. What was the amount of check #183?
10. Did check #185 clear?
11. What was the amount of check #181?

## Answer Key - Lesson Quiz

### **True/False**

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

### **Multiple Choice**

6. The highest loan rates usually occur when borrowing from a:

- A. bank
- B. credit-card company
- C. pawnshop\*
- D. credit union

7. A \_\_\_\_\_ is used to add funds to a bank account.

- A. check
- B. deposit slip\*
- C. signature card
- D. withdrawal slip

8. 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. 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 and consider moving her account.

### Keeping a Running Balance Answer Key

CHECK NO.	DATE	DESCRIPTION	TRANSACTION AMOUNT	DEPOSIT AMOUNT	BALANCE
					527 96
107	5/27	Mrs. Wilson	226 00		226 00
		rent			301 96
Chk/Crd	5/28	Check-card Foodland	22 52		22 52
		groceries			279 44
108	6/1	Bank of Illinois	156 32		156 32
		car payment			123 12
109	6/1	Bank of Illinois	165 25		165 25
		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

CHECK NO.	DATE	DESCRIPTION	TRANSACTION AMOUNT	DEPOSIT AMOUNT	BALANCE
					31 44
ATM	6/15	deposit		425 00	425 00
		pay check			456 44
Chk/Crd	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
Chk/Crd	6/24	Check card- Gas Up	12 88		12 88
		gasoline			78 12
ATM	6/28	withdrawal	30 00		30 00
					48 12

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**

1. What period does this statement cover? - **5/20/09–6/18/09**

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**

## **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.

**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.

**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.

**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.

**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.

**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.

**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.