

# Financial Literacy Money Trek

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MODULE 2: BANKS & CHECKING ACCOUNT

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# Objectives

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- Identify types of insured financial institutions - banks, thrifts and credit unions.
- Learn to open and maintain a bank account.
- Understand various banking products and services.
- Understand checking accounts.
- Learn to effectively use a checking account.



# Types of Financial Institutions

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- Banks
- Credit Unions
- Thrifts (or Savings and Loan)



# Bank

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A bank is a business that:

- Offers you a safe place to keep your money.
- Uses your deposits to make loans.
- Provides a variety of financial services.
- Provides online banking.



# Why Keep Money in a Bank?

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- Safety
- Convenience
- Security(deposits insured by the FDIC – Federal Deposit Insurance Corporation)
- Allows you to build your financial future



# Opening and Maintaining a Bank Account

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## Steps:

- Decide upon the best bank for you.
- Open the account and go through account verification.
- Make deposits and withdrawals.
- Record interest and fees.
- Keep track of your account balance.

# Which Bank Should I Use?

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Ask yourself the following questions:

- Is it near my home?
- What services does it offer?
- Where are the bank's ATMs?
- What are the fees for different accounts and services?
- Is it insured by the FDIC?

# Types of Deposit Accounts

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Accounts that let you add money to the account:

- Checking accounts
  - Allow you to write checks to pay bills or do other transactions
  - Are linked to an ATM /debit card.
- Savings accounts & Money Market Accounts
  - Allow you to earn interest on your deposits.
  - Save money for specific goals, education, home, vacations.
  - Can be linked to ATM.

# Opening an Account - Account Verification

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The bank:

- Reviews your credit and banking history.
- Checks your photo identification and age.
- Determines if you can open an account.
- Will ask for your Social Security Number.

Now you can deposit your money!



# Banking Terms

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Deposit	Put money in the bank.
Withdrawal	Take money out of the bank.
Balance	How much money you have in your account.
Fees	Money charged for services.
Overdraft	Withdrawing more money than you have in your account.

# Deposit

- Add money to your account using a deposit slip.
- Some banks are moving away from deposit slips, but it's still a good idea to complete one for your records. ATM does not need a slip.

<b>DEPOSIT TICKET</b>	<b>Your Name</b> <b>Your Address</b> <b>Your Phone Number</b>		
	DATE		
	<small>DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL</small>		
	<small>SIGN HERE IF CASH RECEIVED FROM DEPOSIT</small>		
	<b>YOUR FINANCIAL INSTITUTION</b>		
	<b>YOUR CITY, CA 92453</b>		
	<small>DO NOT USE FOR AUTOMATIC PAYMENT OR CHECK TRANSACTIONS</small>		
	<b>:000000 : 12345 67890.:</b>		

CURRENCY		
COIN		
OR TOTAL FROM REVERSE		
SUBTOTAL		
LESS CASH RECEIVED		
NET DEPOSIT		

# Withdrawal

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A withdrawal is money you take out of your account using:

- Checks
- Withdrawal slips
- ATMs
- Check/debit card



# Balance

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The balance is the amount of money you have in your bank account.



# Fees

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Banks deduct fees from your account for:

- Certain services (monthly maintenance fee).
- Penalties (e.g. bouncing a check).
- ATM fees
- Money order or wire fees

# Interest

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- Interest is a percentage of your balance that the bank pays you for keeping your money at that bank.
- Most checking accounts do not pay interest.
- Savings accounts, Money Market accounts and Certificates of deposit (CDs) earn interest income.

# Non-deposit Accounts – Covered in a later module

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Many banks offer other investment products

These accounts are NOT FDIC-insured.

- Stocks
- Bonds
- Mutual funds



# Additional Banking Services

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- Direct deposit
- Money orders
- On-line banking
- Automated Teller Machines (ATM)
- Money transfers
- Loans
- Stored value cards
- Debit cards



# Checking Account Basics

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In this section we'll discuss the following:

- Advantages of a checking account.
- Different types of checking accounts.
- How to deposit and withdraw money from a checking account.
- How to reconcile a check register with a bank statement.

# Advantages of a Checking Account

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## Convenience

- Provides quick and easy access to your money.
- Lets you “direct-deposit” payroll and other checks.

## Cost

- Cheaper than buying money orders.

## Safety

- Is safer than carrying large amounts of cash.
- Provides protection if your checks or check card are lost or stolen.
- Your money is insured by “Federal Deposit Insurance Corporation.”

# Types of Checking Accounts

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- Regular checking
- Interest bearing checking
- Electronic/ATM checking



# Checking Account Fees

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Common bank fees include:

- Monthly service fee
- Minimum balance fee
- Automated Teller Machine (ATM) fee
- Overdraft fee
- Stop payment fee

# Using A Checking Account

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## Components of a Checking Account

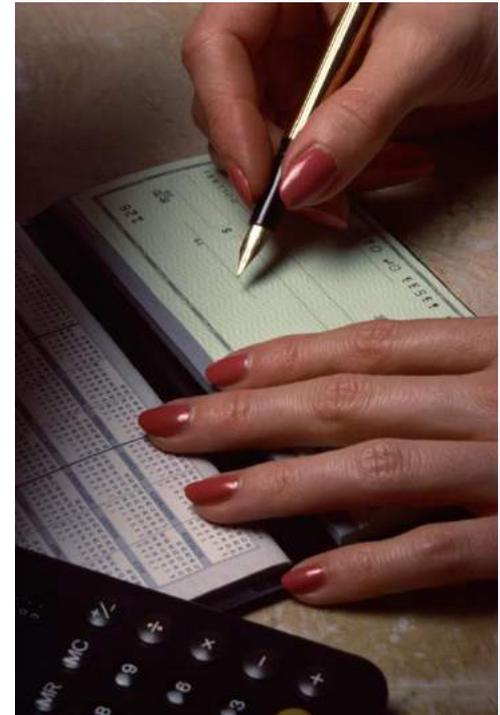
- Checkbook including:
  - - Checks
  - - Deposit slips
  - - Check register
- ATM/Debit card
  - Monthly statements



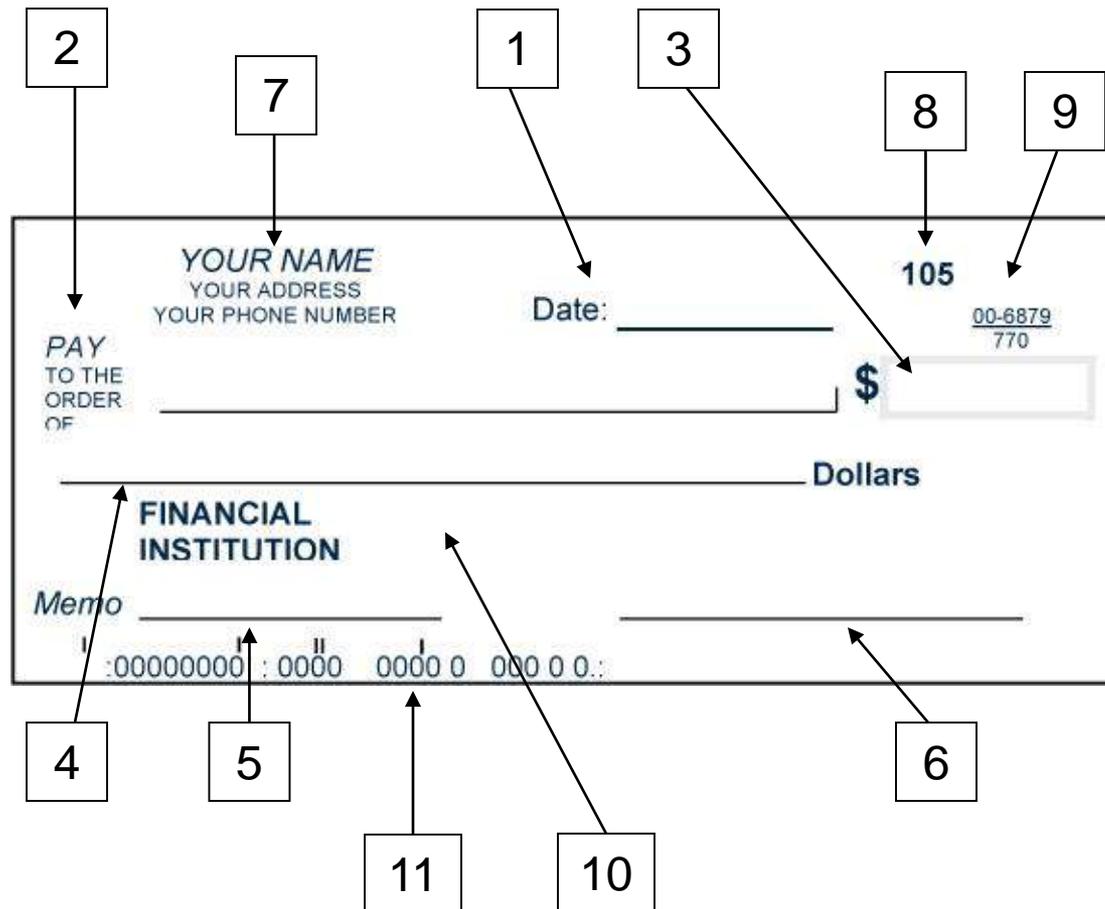
# Steps to Writing a Check

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- Be sure there is enough money in your account.
- Write the check.
- Record the transaction in your check register.



# Sample Check



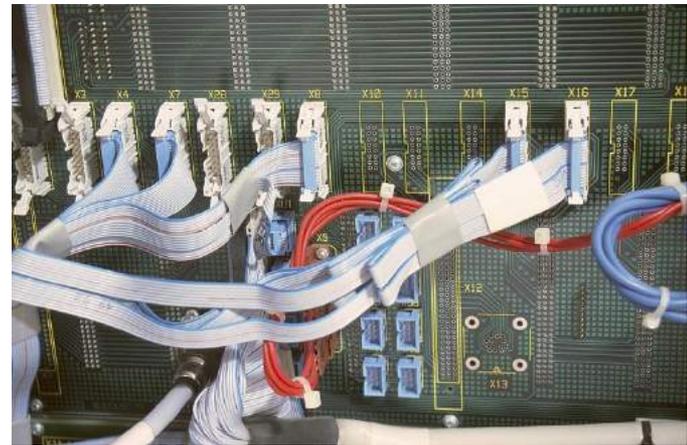
# Sample Check

YOUR NAME		105
YOUR ADDRESS		
YOUR PHONE NUMBER		Date: _____
PAY TO THE ORDER OF	<b>Best Tees</b>	<u>00-6879</u> 770
		<b>\$ 19.75</b>
<b>Nineteen and 75/100</b> _____		
		<b>Dollars</b>
<b>FINANCIAL INSTITUTION</b>		
Memo	<i>shirt</i>	Your signature _____
:000000000 : 0000 0000 0 000 0 0.:		2/26/20XX

# Electronic Banking

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- ATM transactions
- Debit card transactions
- Electronic bill pay
- Bank Apps on Smart phones.



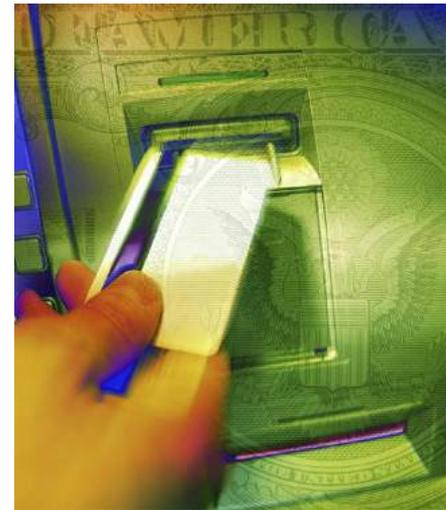
# Debit Cards

A debit card lets you:

- Deposit and withdraw money.
- Make purchases at retail locations.

## Be careful!

- The money is immediately taken out of your checking account.
- Does not offer same protections as a credit card.



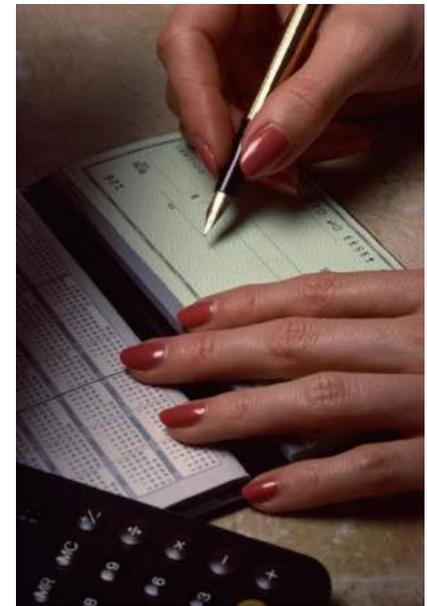
# Accurately Record all Transactions !

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Record all transactions including:

- Maintenance fees
- Interest
- Other bank charges

Reconcile your check register with your monthly checking account statement.



# Checking Account Statements

**SAMPLE CHECKING ACCOUNT STATEMENT**

1  
↓

2  
↓

3  
↓

4  
↓

Your Bank Street Address City, State Zip	Your Name Street Address City, State Zip  Account Number 0000000000
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**Summary of Account Activity**  
 For period ending 3/20/20\_\_  
 Date of last statement 2/20/20\_\_

Date	Transaction Description	Withdrawal/ Deposit Amount	Balance
2/20	Opening Balance Deposit	200.00	200.00
2/26	Check #105	-19.75	180.25
3/12	ATM Withdrawal	- 40.00	140.25
3/18	Monthly Fee	-5.00	135.25

5  
↓

6  
↓

**Cleared Checks**

Check #  
105

**Amount**  
19.75

7  
↓

**Summary**

Previous Balance	Total Deposits	Total Withdr.	No. of Checks	No. ATM Transactions	No. of Deposits	Service Charge	New Balance
\$200.00	\$0	\$ 64.75	1	1	0	\$5.00	\$135.25

# Checking Account Reconciliation

CHECKS OUTSTANDING - NOT CHARGED TO ACCOUNT		Bank balance shown on this statement	\$
Check Number	Check Amount		
		<b>Subtract withdrawals outstanding</b>	\$
		<b>Total</b>	\$
		<b>Add deposits outstanding</b>	\$
			\$
			\$
		<b>Balance</b>	\$
		<b>*This balance should agree with balance in your check register.</b>	
<b>Total</b>	\$		

# Bad or 'NSF' Checks

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- A check you write when there isn't enough money in your checking account to cover it.
- Also called a “bounced check.”



# Consequences of Writing Bad Checks

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- Bad check fees assessed.
- Negative activity reported.
- Bank closes your account.
- Civil and/or criminal prosecution.
- Merchants may not accept your checks.
- Your credit may be impacted.

# Exercise: Balancing your Checking Account

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Using the materials provided, reconcile the checking account statement to the check book register.

Good luck!

