

# Banking Basics!



# Why The Bank?

- Banks and credit unions are safe and convenient places to keep your money.
- Most account balances are insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).
- Banks are for-profit.
  - How do they earn money?
- Credit Unions are non-profit.
  - Owned and controlled by their members



# Savings Accounts

- Your money earns **interest**, which is a return on your money.
- **Annual Percentage Rate (APR)** is the amount your money would earn if left on deposit for one year.
- Savings accounts usually carry an APR of 1% or 2%.
  - Example: @ an APR of 1%,  
\$1,000 would earn \$10 in a year



# Types of Interest

- **Simple Interest:** determined by initial deposit only.
- **Compound Interest:** you earn interest on your initial deposit as well as on the interest you earn.
  - Compound interest is better!



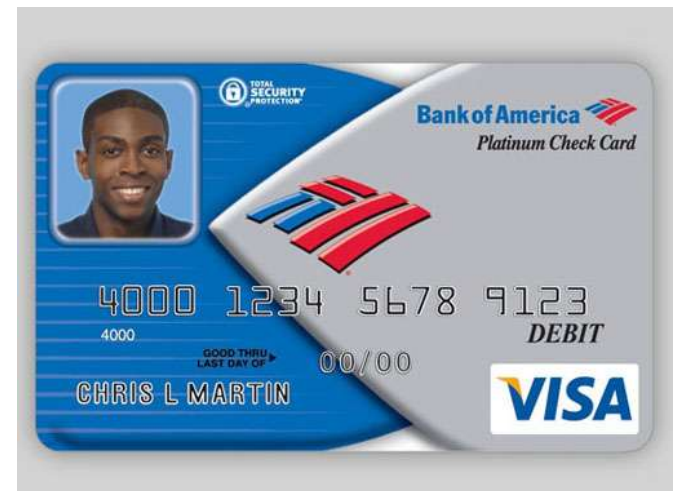
# Certificates of Deposit (CDs)

- Offer a guaranteed interest rate for a specified amount of time.
  - You choose the length of time that your money is deposited (months to years)
  - The longer the term, the higher the interest rate
- If you withdraw money early, you will pay a penalty



# Checking Accounts

- Let you deposit and withdraw money and write checks to pay for purchases and bills.
- **Check Card:** allows you to withdraw cash, make deposits at ATM's, and pay for purchases
- **PIN:** Personal Identification Number



# Types of Checking Accounts

- Free Checking
  - No monthly fees
  - No minimum balance requirements
- Student Accounts
  - No or low minimum balance requirements
- Joint Accounts
  - Allow co-owners to have equal access to the account



# Overdraft Protection

- **Bouncing A Check or Overdrafting:** making a purchase that exceeds what you have in your account
  - You will pay a fee to the business (\$30+), as well as a fee to your bank (\$20+)
  - Hurts your credit with the bank
- **Overdraft Protection:** banks will honor your check or check card purchases even if they exceed your account balance
  - You pay a fee to the bank for each overdraft (\$10 - \$20)



# Writing A Check

**John Doe**  
123 Main St  
Anywhere US 10111

Date 01/01/2008

PAY TO THE ORDER OF The Sandwich Shop \$

\_\_\_\_\_ DOLLARS

Your Bank  
456 Main St  
Anywhere US 10111

MEMO \_\_\_\_\_

⑆ 123456789 ⑆      1001001234⑆      0790 **About.com**

Write the current date, and the name of the business or person you are making the check out to.

# Writing A Check

**John Doe**  
123 Main St  
Anywhere US 10111

Date 01/01/2008

PAY TO THE ORDER OF The Sandwich Shop \$ 8.15

\_\_\_\_\_ DOLLARS

Your Bank  
456 Main St  
Anywhere US 10111

MEMO \_\_\_\_\_

⑆ 123456789 ⑆                      1001001234⑆                      0790      **About.com**

Write the amount of your payment in the small box.  
Start as close to the left as possible, so numbers  
cannot be added.

# Writing A Check

**John Doe**  
123 Main St  
Anywhere US 10111

Date 01/01/2008

PAY TO THE ORDER OF The Sandwich Shop \$ 98.15

\_\_\_\_\_ DOLLARS

Your Bank  
456 Main St  
Anywhere US 10111

MEMO \_\_\_\_\_

⑆ 123456789 ⑆                      1001001234⑆                      0790      **About.com**

Someone could easily add a number if space is left before the amount you wrote!

# Writing A Check

**John Doe**  
123 Main St  
Anywhere US 10111

Date 01/01/2008

PAY TO THE ORDER OF The Sandwich Shop \$ 8.15

Eight and 15/100 \_\_\_\_\_ DOLLARS

Your Bank  
456 Main St  
Anywhere US 10111

MEMO \_\_\_\_\_

⑆ 123456789 ⑆      ⑆001001234⑆      0790 **About.com**

Dollars are written out. Cents are shown as a fraction out of 100.

Immediately after you write out the amount, draw a line all the way over to the word "DOLLARS". This makes it harder for anybody to write something else in that space.

# Writing A Check

**John Doe**  
123 Main St  
Anywhere US 10111

Date 01/01/200

PAY TO THE ORDER OF The Sandwich Shop \$ 8.15

Eight and 15/100 DOLLARS

Your Bank  
456 Main St  
Anywhere US 10111

MEMO Lunch with friends John Doe

! 123956789 ! (001001239\*) 0199 About.com

Fill in the memo line to remind yourself what the check was written for.

Sign your check legibly with the same signature that is on file at the bank.

# Endorsing A Check

- **Blank Endorsement:** sign your name, just as it appears on the front of the check, on the top line. This can be used to cash the check, deposit it, or give it to someone else for him to cash or deposit it.
- Include the phrase "For deposit only" above or below your signature, if you plan to deposit your check.



# Filling Out The Checkbook Register

1      2                      3    4      5                      6    7

AD - Automatic Deposit • AP - Automatic Payment • ATM - Cash Withdrawal • DC - Debit Card • FT - Funds Transfer • SC - Service Charge • TD - Tax Deductible

NUMBER OR CODE	DATE	TRANSACTION DESCRIPTION	PAYMENT, FEE, WITHDRAWAL (-)	✓	DEPOSIT, CREDIT (+)	\$	BALANCE
DC	8/25	Turkey Hill - Gas	30 00				1,000 00
DC	8/25	Giant - Groceries	87 44				970 00
302	8/27	PPL - Electric	179 39				882 56
303	8/29	Comcast - Cable	156 24				703 17
AD	8/31	Payroll Deposit			1027 02		546 93
304	9/1	Rent	800 00				1573 95
ATM	9/1	Withdrawal (at MyBank)	40 00				773 95
305	9/3	Car Insurance	126 87				733 95
	9/3	Birthday Money			150 00		607 08
AP	9/5	ATT - Cell Phone	65 28				757 08
							691 80

1: Check Number or Code  
 2: Date  
 3: Transaction Description

4: Payment/Debit  
 5: ✓ Payment has been processed  
 6: Deposit/Credit  
 7: Running Balance