



# LifeSmarts

*Learn it. Live it.*

## Personal Finance Lessons: Banking Services “Deposit Accounts” PowerPoint Discussion Notes

### **Slide 1**

Slide Text: DEPOSIT ACCOUNTS

Money is a good servant but a dangerous master.  
— H.L. Hunt

Discussion Notes: What do you think this quote means? The author lived over 300 years ago. Do you think that our relationship to spending and saving has changed over three centuries? Why or why not?

### **Slide 2**

Slide Text: LifeSmarts

### **Slide 3**

Slide Text: Demand Deposit Accounts

- Checking
  - Debit cards
  - Online transactions
- Passbook savings

Discussion Notes: For most people their first account at a financial institution is a demand deposit account. Why do you think this type of account is called “demand deposit”?

### **Slide 4**

Slide Text: I want a checking or savings account

Where do I go?

Discussion Notes: What types of financial institutions offer deposit accounts?

## **Slide 5**

Slide Text: Commercial Bank

- Federal or State charter
- For profit
- Owned by stockholders
- Accounts for individuals and businesses

Discussion Notes: A charter is a document that outlines how a bank will operate.

Often the larger the bank the more services it will offer the consumer.

## **Slide 6**

Slide Text: Savings and Loan Association

- For profit
- Pays dividends on deposit (interest)
- Focuses on mortgages and loans

Discussion Notes: Depositors have rights and often vote to direct the operation of this type of financial institution.

## **Slide 7**

Slide Text: Credit Union

- Not for profit
- Member owned
- Lower operating costs

Discussion Notes: Credit Union members have an “affinity” or a common bond. Can anyone give an example of a credit union that shows affinity?

## **Slide 8**

Slide Text: Cyber Bank

- Transactions are electronic
- Banking is done via the internet

Discussion Notes: A Cyber Bank may or may not have a building the customer can visit. Because the consumer completes transactions online, customer service could be a problem.

### **Slide 9**

Slide Text: Consumer Finance Company

- Cash advance
- Check cashing
- Pawn shop

Discussion Notes: While these businesses do not offer deposit accounts, they do provide services to consumers with poor credit or without a deposit account in a financial institution. They usually charge high interest rates.

Remember—You need legal residence status to open a deposit account.

### **Slide 10**

Slide Text: What keeps my money safe?

Discussion Notes: Have you ever heard of someone putting their money “under the mattress?” Why might someone distrust a financial institution?

(Financial institutions that are not insured have failed and depositors lost their money.)

What happened to banks during the Great Depression?

### **Slide 11**

Slide Text: Account Insurance

- Federal Deposit Insurance Corporation (FDIC)
- National Credit Union Association (NCUA)

Discussion Notes: This insurance protects consumers against bank failure. FDIC insures banks and savings and loans while NCUA insures credit unions.

Before you establish a demand account make sure the financial institution is insured.

## **Slide 12**

Slide Text: How do financial institutions make money?

Discussion Notes: How DO they make money?

Banks make money selling money – they offer loans, Certificates of Deposit and other financial products. They also charge fees for services.

## **Slide 13**

Slide Text: Transaction or Service Fees

- Cash machines
- Check cashing
- Overdraft protection

Discussion Notes: Fees will vary by financial institution. You may be charged to cash a check, talk to a teller or use your debit card in an ATM.

## **Slide 14**

Slide Text: What are some of the other fees for service I should understand?

- Some possible checking account fees:
  - Monthly service fee
  - Per check fee
  - Below minimum balance fee

Discussion Notes: By understanding fees and services you are better able to compare financial institutions. If the financial institution requires a minimum balance for a “free” account, remember that they are using your money.

Some financial institutions offer free checking. How can they afford to do this?

(Free checking gets customers in the door and consumers like to work with “their” bank when getting a loan or a mortgage.)

## **Slide 15**

Slide Text: What is the difference between an ATM and a cash machine?

- Customers of a financial institution can use that institution's ATM to accomplish a variety of transactions, hence the name – automatic teller machine.
- Cash machines give you cash by charging your debit or credit card.

Discussion Notes: Cash machines not connected with your financial institution might have substantial fees. When you establish your account be sure and ask about the ATM or cash machine network you can use without paying fees.

### **Slide 16**

Slide Text: Debit Cards

- Alternate to checks or cash
- Online transactions
- ATM/Cash machine
- PIN #
- Linked directly to bank account

Discussion Notes: Debit cards are a convenient way to spend money. They are swiped through a Point of Sale—POS device at the purchase point, which has electronic software and hardware that allows debit or credit card transactions. What is a PIN number?

(Personal Identification Number—a code that is sometimes needed to make a debit card purchase; it functions as a security screen.)

### **Slide 17**

Slide Text: CAUTION!

Yes, you can overdraw your account with a debit card.

Discussion Notes: How does that happen?

### **Slide 18**

Slide Text: More about Fees

- Financial institutions have fees for other services such as:
  - Non-sufficient funds (NSF) or bounced checks
  - Overdraft protection
  - Stop payment

Discussion Notes: What are the differences between an NSF and an overdraft?

### **Slide 19**

Slide Text: NSF

There are not enough funds in your account to cover a check or a debit purchase. The check is returned to the payee.

Discussion Notes: When you have an NSF or bounced check the bank sends the check back to the payee. You will pay a fee to the bank for writing a bad check and you may have to pay a service charge to the business who received your bad check.

An NSF may affect your credit history.

### **Slide 20**

Slide Text: Overdraft Protection

A prior arrangement with the financial institution to pay when your check exceeds the amount in your account.

Discussion Notes: Overdraft protection prevents bounced checks but the fee averages \$20-\$30 per item.

### **Slide 21**

Slide Text: Stop Payment

- The consumer can request that the financial institution not pay on a check they have written.
- This must be done before the check is presented for payment.

Discussion Notes: Financial institutions also charge a fee for this service. When might you pay a fee to stop payment on a check?

(When the goods or services you purchased are flawed or inadequate and you are having trouble getting customer service from the business.)

### **Slide 22**

Slide Text: Deposit Accounts and Identity Theft

- It is your responsibility to protect your account.
- Here are some tips from the Federal Reserve Board.

Discussion Notes: Identity theft is a serious crime, according to the Federal Trade Commission (FTC), here are some ways thieves can use information from your deposit accounts:

They may create counterfeit checks using your name or account number.

They may open a bank account in your name and write bad checks.

They may clone your ATM or debit card and make electronic withdrawals your name, draining your accounts.

They may take out a loan in your name.

### **Slide 23**

Slide Text: Don't give out account information

Discussion Notes: If a person or business you are unfamiliar with asks for account information "just say NO."

### **Slide 24**

Slide Text: Review your monthly statement

Discussion Notes: Check your online statement frequently against your record of transactions. If you don't check your accounts regularly you are asking to be the ideal identity theft victim.

### **Slide 25**

Slide Text: Notify your financial institution

Discussion Notes: Your financial institution cannot help you if you do not tell them you suspect identity theft. It is also advised to report identity theft to the police.

### **Slide 26**

Slide Text: Keep accurate records

Discussion Notes: Avoid being “swipe happy” and neglecting to record your purchases.

What money management skills do you think are needed to maintain a checking account or debit card account?

(A method for tracking purchases, the ability to reconcile the monthly statement to the account record, and the discipline to realize swiping your debit card is spending money, etc.)

### **Slide 27**

Slide Text: Money Management

Know your rights and responsibilities under consumer protection laws.

Discussion Notes: If used fraudulently, your debit card liability could be as high as \$500.

Good money management begins with simple steps. Learning to handle a deposit account is an important step in assuming financial responsibility.

### **Slide 28**

Slide Text: LifeSmarts: Learn It, Live It

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2/2014