

# Banking Basics

## LESSON DESCRIPTION AND BACKGROUND

This lesson provides an overview of four types of financial institutions. It invites the students to investigate services available from financial institutions in their own community. As an example of a common financial service, the lesson stresses checking accounts—their main features and the mechanics of using them.

Lesson 9 correlates with national standards for economics and personal finance as shown in Tables 1-2 in the introductory section of the publication.

## ECONOMICS AND PERSONAL FINANCE CONCEPTS

- Automated Teller Machine (ATM)
- Brokerage firm
- Checking account
- Commercial bank
- Credit union
- Debit card
- Savings and loan associations (S & Ls)

## OBJECTIVES

At the end of this lesson, the student will be able to:

- Identify the key deposit, credit, and investment services offered by **commercial banks, savings and loan associations, credit unions, and brokerage firms.**
- Identify different types of **checking accounts.**
- Explain the steps taken in setting up and managing a checking account.
- Differentiate between the uses of an **ATM** and a **debit card.**

## TIME REQUIRED

Two 45-minute class periods

## MATERIALS

- A transparency of **Visual 9.1**
- A copy for each student of **Exercise 9.1, 9.2, 9.3, and 9.4** from the *Student Workbook*
- A copy for each student of **Illustration 9.1, 9.2, 9.3, 9.4 and 9.5** from the *Student Workbook*

## ADDITIONAL RESOURCES



To download visuals, find related lessons, correlations to state standards, interactives, and more visit <http://fffl.councilforeconed.org/9-12/lesson9>.

## PROCEDURE

1. Tell the students that the purpose of this lesson is to help them identify the services offered by various financial institutions. The lesson will primarily focus on learning the basics of using a checking account.
2. Briefly introduce the point that financial institutions vary in the services they offer. Ask:
  - a. What are examples of some financial institutions that can be found in our community? **(The students most likely will mention banks. They may not be familiar with other financial institutions. As necessary, elaborate on their responses to produce a list that includes commercial banks, savings and loan associations, credit unions, and brokerage firms.)**
  - b. What are some of the financial services offered by these financial institutions? **(Answers might include checking accounts, savings accounts, stock purchases, direct deposit, bank transfers, loans, ATMs, debit cards, etc.)**

3. Give each student a copy of **Exercise 9.1** from the *Student Workbook*. Ask the students to read the information provided in the exercise and study the overview of financial services. When they have finished their reading, ask them to answer the questions found at the end of the exercise. Discuss the answers in class:

- Name four common financial institutions. **(Commercial banks, savings and loan associations, credit unions, and brokerage firms.)**
- How are financial institutions changing? **(New laws [deregulation] have meant that different financial institutions can now offer similar services.)**
- What are some common deposit services? **(Checking accounts, automated teller machines [ATMs], direct deposits, savings accounts, online banking, and deposit insurance.)**
- What are some common credit services? **(Credit cards, installment loans, home equity loans, small business loans, mortgages.)**
- What are some common investment services? **(Retirement accounts; financial planning and management of investments; and sales of stocks, bonds, and mutual funds.)**

4. Explain that checking accounts are among the most widely used financial services. Checking accounts provide one easy way for people to pay their bills and have access to cash. Give each student a copy of **Exercise 9.2** from the *Student Workbook*. Ask the students to read the exercise (which includes important facts about opening and using a checking account) and answer the questions at the end. Discuss the answers in class:

- What is a checking account? **(An account into which people deposit money and from which they withdraw money [for purchases, paying bills, etc.] by writing checks or by using online banking.)**

- Why is the signature card important when you open a checking account? **(The signature card is meant to protect you and the financial institution from unauthorized use of your checking account. Only your signature is accepted as authorization to make payments from your account.)**

- Not all checking accounts are alike. What sort of checking account is appropriate for most high school students? **(Answers will vary, but a special account with a limited or no service fee is probably the most appropriate for a high school student who does not write many checks.)**

- What is a blank check endorsement for a check? **(A blank endorsement is simply your signature on the back of the check. This makes the check as good as cash to the holder. This feature should be used in only the rarest of circumstances.)**

- When should you void a check? **(Void a check when you make a mistake in writing it. This can be done by writing "VOID" across the face of the check or by shredding the check after recording the voided check in your check register.)**

- What is a debit card? **(A small plastic card that allows you to make purchases by having the amount of a purchase transferred directly from your checking account to another party.)**

- What are some features of online banking? **(Online banking allows bank customers to pay bills, transfer funds between accounts, or check their balances at any time.)**

5. Give each student a copy of **Illustration 9.3** from the *Student Workbook*. Explain that the routing number found on the bottom of the check shown here is used to identify the financial institution on which the check is drawn. This number is used in clearing checks, making deposits, and in making electronic transactions, such as the direct deposit of a paycheck or automatic payment of a bill. The account number identifies the customer's individual account within that institution.

6. Give each student a copy of **Illustration 9.4** from the *Student Workbook*. Go over each of the six steps for writing a check. Point out important features found on the check such as the routing number, account number, and check number.

7. Give each student a copy of **Exercise 9.3** from the *Student Workbook*. Ask the students to read the instructions and complete the exercise. When they have finished, display a transparency of **Visual 9.1** with the completed check register so that the students can check their work. Have the students exchange checks with one another to determine whether the checks were written as shown in **Illustration 9.4**.

### CLOSURE

Use the following questions to review the lesson:

- What are the four main financial institutions introduced in this lesson? (**Commercial banks, savings and loan associations, credit unions, and brokerage firms.**)
- List some of the services provided by financial institutions. (**Deposit services, including checking accounts and savings accounts; Credit services, including credit cards, loans, and mortgages; Investment services, including retirement accounts, stocks, bonds, and mutual funds.**)
- What is a checking account? (**An account into which people deposit money and from which they withdraw money [for purchases, paying bills, etc.] by writing checks or by using online banking.**)
- What does reconciling your checking account mean? (**To reconcile your checking account, you compare your check-book register to the monthly statement you receive from your financial institution. Bank customers also can view their account activity online at any time. The process includes making sure all deposits and withdrawals are accounted for. Writing the ending balance as**

**shown from the statement, adding deposits in the register but not on the statement, and subtracting withdrawals in the register but not on the statement will allow you to arrive at the adjusted, or correct, balance.)**

### ASSESSMENT

Give each student a copy of **Exercise 9.4** from the *Student Workbook*. As homework, ask the students to contact local financial institutions to determine the specific services they provide. When they have completed the survey, ask the students to write a short essay on how they would plan to use the services offered by the financial institutions from which they collected information. You may wish to have the students discuss the information they have collected with other members of the class.

### EXTENSION

Give each student a copy of **Illustration 9.5** from the *Student Workbook*. Discuss some of the differences between online checking and traditional accounts. Ask the students whether they would be more likely to use an online checking account or a more traditional checking account. What features do they like about the type of account they prefer?

## Answers to Exercise 9.3

PLEASE BE SURE TO DEDUCT CHARGES THAT AFFECT YOUR ACCOUNT										
CHECK #	DATE	TRANSACTION DESCRIPTION	WITHDRAWAL/ TRANSACTIONS		✓ T	FEE IF ANY	DEPOSIT/ ADDITIONS		BALANCE	
	3/1	<i>Deposit</i>					250	00	250	00
	3/7	<i>CD Sales, Purchased CDs</i>	30	00					220	00
	3/8	<i>A.J. Vitullo Company</i> <i>Purchased Sweater</i>	50	00					170	00
0994	3/10	<i>Acme Bicycle Shop, Bicycle Repair</i>	45	10					124	90
0995	3/12	<i>Happy Pets, Pet Supplies</i>	10	00					114	90
	3/14	<i>Gift Money</i>					50	00	164	90
0996	3/16	<i>Lawson School, Purchased 2 Basketball Tickets</i>	16	00					148	90
	3/18	<i>Cash</i>	50	00					98	90