Take It To The Bank

Management of Financial Resources:
Bank Accounts, Savings and Loan Associations and Credit Unions
Bank Accounts

• You’ve got the income from your job…
• Where do you keep it while it’s still yours?

Once you have a job and start receiving weekly, bi-weekly or monthly paychecks, you have to decide how you are going to manage that money. You do not want to carry around large amounts of cash. That is not safe for you or your money. You don’t want to send large amounts of cash through the mail to pay bills. Using the services of a bank is a great way to keep your money safe and manage your money by tracking your deposits and spending.
Financial Institutions

- The safest place to keep money is in a financial institution.
  - Commercial Bank
  - Savings and Loan Association
  - Credit Union

All of these institutions provide similar services. They are all depository institutions. They differ in terms of government regulations under which they operate. They take in people’s money, and loan it to other people at a higher rate of interest than the interest they pay back to the depositor. The interest earned by these institutions becomes the profit of the institutions and a means by which they pay their employees and expand their business.
A commercial bank is a financial institution operated as a business. Shareholders, or owners, own the bank and hire managers to run it. You can deposit your money in savings, checking, or investment services. You can apply for and receive loans for various things, including auto, personal, mortgage, and business loans. They also provide investment services, such as savings accounts and certificates of deposits. You can invest in money market accounts. The money you deposit is loaned to another customer at a higher rate of interest and the bank earns the profit from interest charged to another customer.
Savings and Loan Association

- Originated as financial institutions that specialized in accepting deposits and promoting mortgage loans.
- Today, Savings and Loan Associations provide many financial services.
- Many are owned by depositors and profits revert to the depositors in the form of higher interest payments, sometimes referred to as dividends.

Originally, savings and loan associations focused on deposits people invested in savings and then this money was loaned to other people in the form of home mortgages. Today, most savings and loans offer the same services as other banks and credit unions so you can also have a checking account at a savings and loan association.
A credit union provides services similar to a bank. Since it owned by members, they often offer better interest rates on money deposited into them. They also usually charge lower finance rates on loans to the employees of the corporation. Loan payments can be directly deducted from employees paychecks for the convenience of the employee. Employees can also frequently obtain loans on their “signature” or promise “to pay back” the loan thru deductions from their paycheck.
How Safe is My Money?

- Two government agencies protect banking customers:
  - FDIC (Federal Deposit Insurance Corporation)
  - NCUA (National Credit Union Administration)
- These agencies INSURE deposits in accounts up to $100,000.00

If the bank goes out of business, the agency will reimburse the account holder up to $100,000.00 per bank account. After the depression, where many people lost money in banks, these government agencies were formed to restore people’s faith in banks.
With a checking account, you deposit money and gradually withdraw it as you need it by writing checks, using a debit card to make purchases or in an ATM machine to make withdrawals. Checking accounts allow us to have a payment/deposit record. They give us the freedom of having our money available to us, but in a secure place. We do not have to carry around large amounts of cash. They provide us with a safe way to pay our bills either through sending checks through the mail or using a bill pay system where money is transferred electronically.

Bill pay is a bank draft that authorizes the money to be taken from your account on a specific date. For example: You might have bill pay set up to make your car payment on a specific date every month. This can save you time and the cost of a stamp because you are not sending a check through the mail. Bill pay can also save you money by insuring you do not have a late fee attached to your bill because you forgot or were late on a payment.

A debit card makes it easy to spend money so you need to be cautious and be sure to keep a record of the money you spend and how much is left in your account.

A savings account is a good place to keep your money for emergencies and short-term goals. A savings account provides a very liquid asset when you need money fast because you can withdraw it quickly.
Checking Accounts

Get some Checking Account Practice:
- Managing a Checking Account from "Learnfree.org"
- Cash, Check or Credit from "TheMint.org"
- How to Write a Check from "TheMint.org"
- Balance Your Checking Account from "TheMint.org"

You can use these websites to practice writing a check, balance your budget and learn more about checking accounts.
Checking accounts are basic money management tools.

- keep depositor money safe, while making it easy to withdraw cash or pay bills
- are basic, money management tools
It is extremely important to balance your checking account. Overdraft fees can cost $25.00-$45.00. Some accounts come with overdraft protection. This means that if you overdraw your account up to an agreed amount, that there will be no charge. You do have to pay back the bank and usually with interest. If you overdraw your account, the bank can choose to pay the checks or send them back. If you are a good customer that has never overdrawn your account before, chances are good they will pay the check, but charge you for the overdraft. If they choose not to pay the check, you might get stuck paying the cost of the original check plus a check return fee. The business could as well charge you an overdraft charge, so you could end up paying as much as $75.00 in fees alone because you did not keep track of your spending. Costly mistakes can be powerful lessons, but who wants to pay the price?
Another banking service is a safe deposit box. This is a small box secured in the bank vault where one might store valuables. Valuables might be documents, jewelry, family heirlooms or anything considered valuable to the depositor. Only the depositor and usually the bank have access to the box by key or a passcode.

Money orders are similar to a personal check except they are purchased for cash so the recipient can trust that they are worth what they say they are.

A bank draft occurs when you authorize someone to take money out of your account automatically. This is often referred to as bill pay.
A savings account is often the first account a person has. The bank takes deposits and pays interest on the account, but you can withdraw your money when you need it. While it is on deposit with the bank, the bank lends it to other people in loans, charging a higher interest than the interest they are paying you.
Savings accounts are also a handy money management tool. You can use these websites to learn more about how savings accounts work.

• See how Savings Accounts Work:
  – Savings Accounts from “the Mint.org”
  – Managing a Savings Account from “Learnfree.org”
Financial Planning Association
Financial planning is the long-term process of wisely managing your finances so you can achieve your goals and dreams, while at the same time negotiating the financial barriers.
http://www.fpanet.org/WhatisFinancialPlanning/

GCF LearnFree.org
Want to manage your money better? We have tutorials and learning interactives that range from very basic money skills, like checking cash back or paying bills, to useful money management tips for budgeting, retirement planning, smart shopping and more.
http://www.gcflearnfree.org/money

Investopedia
Personal Finance Terms.
http://www.investopedia.com/categories/personalfinance.asp

My Credit Union.gov
Locate answers to common financial questions about federal credit unions and financial issues.
http://www.mycreditunion.gov/Pages/default.aspx

Mint.com
It’s easy to understand what’s going on with your money. Mint automatically organizes your spending into categories—like rent, gas, clothes, dinner—and shows you where your money goes in easy-to-understand charts.
https://www.mint.com/