

Financial Literacy in Action

Getting Started

Project-based learning activities for high school students using the Internet



### Activity #3: Banking

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Financial Literacy in Action

Introduction



*Diane, walking on the street, sees her friend Joe and calls after him*

**Diane:** Hey, Joe! Where are you going in such a hurry?

**Joe:** I m going to the bank to put some money in my account.

**Diane:** Why waste your time going there? Putting money in a bank is only for rich people.

**Joe:** I was always told it s the safest place to keep your valuables.

**Diane:** I don t like banks. The people who work there are so unfriendly. Those bank guards look like the secret police from my home country. Every time I ask a question, the teller looks annoyed. On top of that, the bank charges a fee for almost every service it provides. You even have to wait on line and complete lots of paper work to get your own money out.

**Joe:** I need a checking account to pay my bills. What do you do when you have to write or cash a check?

**Diane:** When I want to pay a bill, I either pay in cash or get a money order it s just as good. To cash a check, I go to a check casher. There s one on almost every block in the neighborhood. Where I live, there s only one bank and it s six blocks from my house. Joe, I once thought that you were the smart one.

## Financial Literacy in Action

### Objectives



After completing the activities in this tutorial you will be able to

- Discuss the variety of services that different banks offer
- Compare and contrast some of the major savings products offered by banks to their customers
- Examine the benefits and responsibilities of having a checking account
- Explain the reasons why so many people are unbanked and suggest strategies to encourage them to open bank accounts

## Financial Literacy in Action

### Projects



Based on what you learn about banking in this activity, you will have the choice of completing one of the three types of projects below.

#### **Project 1**

Create a set of public service announcements for radio >

#### **Project 2**

Create a set of public service announcements for television >

#### **Project 3**

Create a set of public service announcements for newspapers >

## Financial Literacy in Action

### More Information about Banking



- <http://www.newyorkfed.org/publications/> (click on "Teaching Materials")  
This is the website of the Federal Reserve Bank of New York, where an extensive list of publications on banking is available free-of-charge. Among the publications listed are the following comic-style booklets appropriate for high school and junior college students: The Story of Banks and The Story of Checks and Electronic Payments.
- <http://www.fdic.gov/consumers/consumer/rights/index.html> This is the website of the Federal Deposit Insurance Corporation (FDIC), a regulator of U.S. banks. It features a list of consumer affairs publications, community affairs programs, and frequently asked questions.
- <http://www.fdic.gov/consumers/consumer/rights/index.html> identifies regulations protecting bank customers and other consumers.
- [http://www.aboutchecking.com/yourcheckingacct/yca\\_train.asp](http://www.aboutchecking.com/yourcheckingacct/yca_train.asp) This site, using an "interactive training strategy," contains practical information about checking accounts. It offers help on how to write a check, deposit money in an account, review a monthly statement, and balance an account. You can also learn about types of checking accounts, the clearing of checks, and check fraud.

## Financial Literacy in Action

### Project 1: Create a Set of Public Service Announcements for Radio



On an audio cassette, create a series of three public service announcements (PSAs) for radio running about one minute each to convince unbanked people to open a bank account. These announcements should refer to what you learned about savings products, checking accounts, other banking services, and the reasons why so many people remain unbanked.

To prepare for your project, you'll need to access the four tutorials and "More Information About Banking" below. Follow the directions that come with the tutorials. After completing this preparation, you'll be ready to start creating your PSAs.

#### **Tutorials:**

- Overview of Banking Services 9
- Savings Products 10
- Checking Accounts 11
- The Unbanked 12

More Information About Banking 5

Banking - Project 1: Create a Set  
of Public Service Announcements  
for Radio

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## Financial Literacy in Action

### Project 2: Create a Set of Public Service Announcements for Television



On a videocassette, create a series of three public service announcements (PSAs) for television running about one minute each to convince unbanked people to open a bank account. These announcements should refer to what you learned about savings products, checking accounts, other banking services, and the reasons why so many people remain unbanked.

To prepare for your project, you'll need to access the four tutorials and "More Information About Banking" below. Follow the directions that come with the tutorials. After completing this preparation, you'll be ready to start creating your PSAs.

#### **Tutorials:**

- Overview of Banking Services 9
- Savings Products 10
- Checking Accounts 11
- The Unbanked 12

More Information About Banking 5

Banking - Project 2: Create a Set of Public Service Announcement for Television

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## Financial Literacy in Action

### Project 3: Create a Set of Public Service Announcements for Newspapers



Create a series of three full-page public service announcements (PSAs) for newspapers running about one minute each to convince unbanked people to open a bank account. These announcements should refer to what you learned about savings products, checking accounts, other banking services, and the reasons why so many people remain unbanked.

To prepare for your project, you'll need to access the four tutorials and "More Information About Banking" below. Follow the directions that come with the tutorials. After completing this preparation, you'll be ready to start creating your PSAs.

#### **Tutorials:**

- Overview of Banking Services 9
- Savings Products 10
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Banking - Project 3: Create a Set of Public Service Announcements for Newspapers

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## Financial Literacy in Action

### Tutorial: Overview of Banking Services



Most banks offer a wide variety of personal and commercial financial services. Access this web page: [1st American People's Bank - http://www.newyorkfed.org/education/banking/banking\\_apb.html](http://www.newyorkfed.org/education/banking/banking_apb.html).

Explain your answers to the following:

- Discuss one important personal, small business and corporate service that the 1st American People s Bank provides.
- To what extent is it a good idea for banks to engage in such a wide variety of services that include banking, investing, insurance, and estate planning? How can you explain why, for so long, banks were not allowed to provide investment and insurance services (research the Glass Steagall Act of 1933)?
- Duplicate the chart below on a whole sheet of paper, giving yourself sufficient room to write the answers. Then, visit three different banks in your neighborhood, obtain the information called for, and enter it on the chart.

Bank #1

Bank #2

Bank #3

List five different services this bank provides  
How many blocks from your house is the bank located?  
Minimum amount a depositor needs to open a basic checking or savings account  
Highest interest rate paid on any savings product  
Lowest interest charged for a personal loan  
Important customer relations features (e.g. friendliness of staff, short lines, hours open)

- In what ways were the banks you visited most similar? In what ways were the banks you visited most different? To what extent did the banks you visited provide similar services to those provided by 1st American People s Bank?
- At which of the three banks you visited would you most likely open an account? Why?

## Financial Literacy in Action

### Tutorial: Savings Products



Savings products are the most popular products offered by banks. Most adults in the United States avail themselves of at least one of these products: savings accounts, certificates of deposit, and/or money market accounts.

Access the following pages:

<http://www.themint.org/investing/savings.php>

<http://www.themint.org/investing/certificate.php>

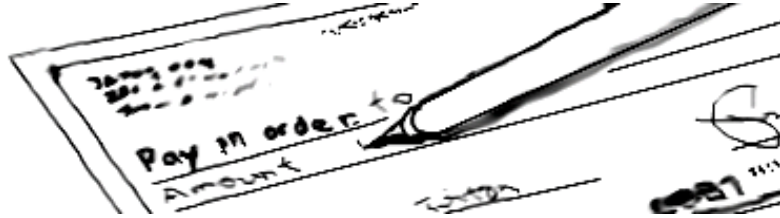
<http://www.themint.org/investing/bankmoneymarket.php>

Explain your answers to the following questions:

- What are three reasons savings accounts are among the most popular banking services?
- How does compound interest help increase the savings of bank customers?
- How does the rule of 72 help explain the potential growth of money that is saved?
- How is a certificate of deposit (CD) different from a basic savings account? What are the advantages of a CD over a basic savings account? What are the disadvantages?
- How is a bank money market account different from a basic savings account or a CD? What are the advantages and disadvantages of a bank money market account over a basic savings account or a CD?
- If you wanted to deposit money in a bank, which type of account would you open -- a basic savings account, a CD, or a money market account?

## Financial Literacy in Action

### Tutorial: Checking Accounts



Many customers use a bank for its checking account services. In order to use a checking account properly, you must be able to write a check correctly and keep track of the money in your account.

Access <http://www.themint.org/spending/writingachek.php>. Once at the website, click on and read the information related to the following links:

- Follow These Steps
- Practice Writing A Check
- Record it

Print the pages entitled Writing a Check and Keeping a Check Register. Then complete the writing a check and keeping a check register exercises.

- Discuss two important lessons you learned about writing a check from these exercises.
- Why is it a good idea to keep an accurate check register?
- Why it is good advice to sign a check only when you are ready to use it?
- What are some of the advantages of paying for purchases by check? What are some of the disadvantages?
- Is it a good idea to pay by check for everything you buy? Why or why not?

## Financial Literacy in Action

### Tutorial: The Unbanked



Despite the many services banks provide, a significant number of people remain unbanked. Access <http://www.newyorkfed.org/education/banking/unbanked.html>. Based on what you read, how would you answer the following?

- What are three important facts you learned about the unbanked from studying these charts?
- Why does the largest percentage of unbanked persons come from the lowest income group?
- Which reasons for being unbanked are most justified? Which are least justified?
- What are three arguments you would make to convince someone who is unbanked to open a bank account?

## 1st American People's Bank



Banks today offer a wide variety of services. An example of those services appears on the page below for the make-believe 1st American People's Bank.

### Personal Services

#### **Account Access**

- Pay Bills On-line
- Transfer funds

#### **Accounts**

- Checking Accounts
- Savings Accounts
- CDs

#### **Cards**

- Credit Cards
- Debit Cards

#### **Loans & Homebuying**

- Mortgages
- Home Equity Loans
- Education Loans
- Automobile Loans
- Personal Loans

#### **Wealth Management**

- Investments
- IRAs
- Retirement Planning
- College Savings Plans
- Estate Planning
- Tax Planning

#### **Special Services**

- Insurance
- Traveler's Checks/ Foreign Exchange
- Savings Bonds

#### **Educate Yourself**

- Budgeting
- Debt Management
- Retirement
- Taxes

### Business Services

#### **Account Access**

- Pay Bills On-line

#### **Checking & Savings**

- Business Checking Accounts
- Business Savings Accounts

#### **Loans**

- Business Loans

#### **Cards**

- Business Credit Cards
- Business Check Cards

#### **Cards**

- Credit Cards
- Check Cards

#### **Payroll and Taxes**

- Payroll Services
- Tax Services

#### **Additional Services**

- Insurance

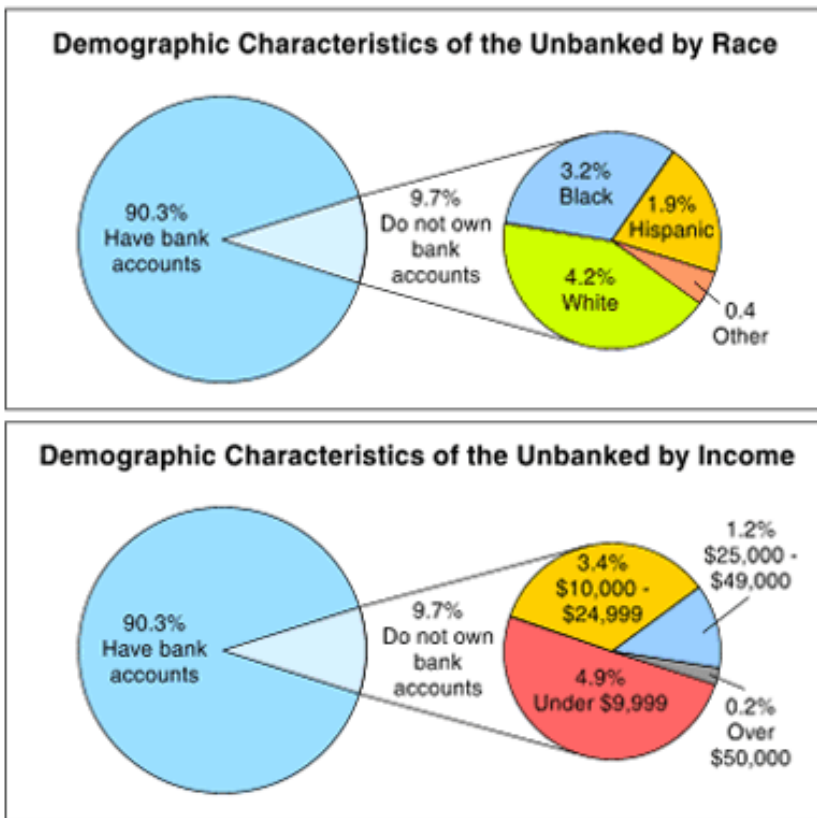
#### **Educate Yourself**

- Advertising Your Business
- Developing a Business Plan
- Analyze Your Competition

Financial Literacy in Action

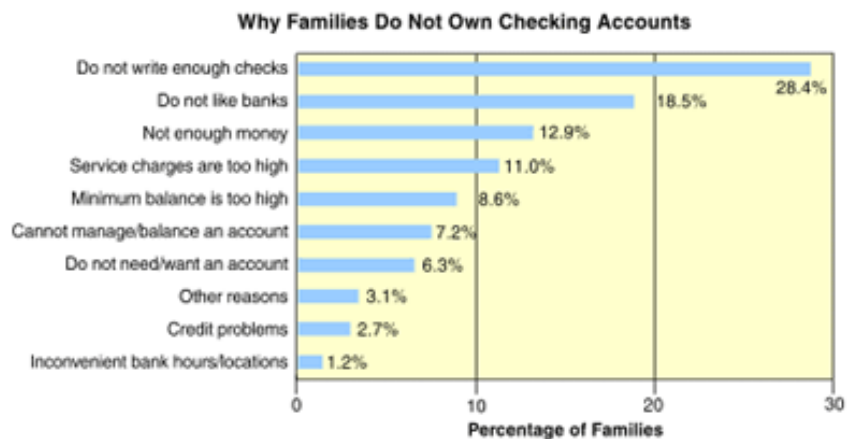
From the Federal Reserve Board's *Capital Connections* Newsletter, Spring 2001:

### Who Are the Unbanked?



Data assistance for charts provided by Chris Anguelov, Research Assistant, Federal Reserve Board.

### What Are the Reasons for Being Unbanked?



Federal Reserve Bulletin, "Recent Changes in U.S. Family Finances: Results from the 1998 Survey of Consumer Finances," January 2000.