Financial Institutions

Lesson 3: Student Activities | Hall of Fame: Ages 18+

FINANCIAL FOOTBALL

Choosing Your Team: Finding a Financial Institution

Examining how financial institutions operate and the services they provide is a key part of making the most of your money. This 45-minute module will help you learn how to choose banking services, use debit and prepaid cards, and understand the factors to consider when managing electronic and mobile banking.

Getting Game-Ready: When football coaches are directing teams toward a win, they choose the players best suited to each play based on the athletes' strengths and weaknesses. Players themselves consider the best way to maximize their performance and work together as a team to reach a win.

This strategy can also be applied when choosing a financial institution, using debit cards and prepaid cards, and managing online banking; it's good to know the relative strengths of your options, as well. Knowing how they work and how best to use them in various financial situations lets you tap into the advantages of each. Just like building a strong football team, working with financial institutions requires clear communication and an understanding of your goals.

Module Level: Hall of Fame, Ages 18+

Subjects: Economics, Math, Finance, Consumer Sciences, Life Skills

Materials: Facilitators may print and photocopy handouts and quizzes for you, and direct you to the online resources below.

- **Pre- and Post-Test questions:** Answer these questions before completing the Financial Institutions activities to see how much you already know about the topic. After you've finished all the activities with your teacher and classmates, try taking the quiz again to see how your understanding has grown.
- **Practical Money Skills Financial Institutions resources:** practicalmoneyskills.com/ff33
- **Practical Money Guides:**
  practicalmoneyskills.com/ff34
  practicalmoneyskills.com/ff35
- **What Am I? Game Questions**
- **Affinity Mapping Character Scenarios**
- **Glossary of Terms:** Learn basic financial concepts with this list of terms.

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Learning Objectives

- Compare and contrast different types of financial institutions and the services they provide
- Identify the features and costs of personal checking accounts offered by different financial institutions
- Identify how debit and prepaid cards work as payment methods
- Determine the various pros and cons to all types of cards
- Identify how to manage purchases and payments using electronic and mobile banking

Key Terms and Concepts

Before you start the lesson, review the key terms and concepts below. The answers to each question will get you prepped and game-ready.

What types of financial institutions are there?

Just like any other business, a financial institution sells products to earn money so that it can run its operations and provide services. Three common types of financial institutions are banks, credit unions, and community banks. To understand how financial institutions operate, know that when you deposit money in a bank, it gets pooled into a shared fund along with everyone else's money; this allows the financial institution to make loans. When you deposit money into a checking or savings account, your financial institution is obligated to allow you to access and withdraw funds from accounts you own.

What does FDIC-insured mean?

Federal Deposit Insurance Corporation (FDIC) preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks for at least $250,000 per depositor, per insured bank, for each account ownership category. FDIC insurance covers depositors' accounts at each insured bank, dollar-for-dollar, including principal and any accrued interest, through the date of the insured bank's closing, up to the insurance limit. This means that, in the event funds are stolen, the bank fails, or the bank closes, the account holder will be reimbursed for deposits totaling up to $250,000.

What does NCUA-insured mean?

The National Credit Union Administration (NCUA) preserves and promotes public confidence in the U.S. financial system by insuring deposits in credit unions for at least $250,000 per depositor, per insured credit union, for each account ownership category. Share insurance coverage offered through the National Credit Union Share Insurance Fund (NCUSIF) protects members against losses if a federally insured credit union should fail.

Do I have to open a checking account? What are the benefits if I do open an account?

Did you know that 6.5% of households in the United States were unbanked in 2017 according to the FDIC[1]? That's 8.4 million households that aren't taking advantage of the services offered by financial institutions. It's not mandatory to open a checking account, but opening an account offers many benefits. An additional 18.7% of U.S. households

Learning Objectives, cont.

(24.2 million)[1] were underbanked, meaning that the household had a checking or savings account but also obtained financial products and services outside of the banking system, like payday loans.

Banking — all the services offered by a bank or credit union — allows individuals to deposit funds, transfer money, and complete transactions in a secure place. Checking accounts can offer four primary benefits:

- Security
- Convenience
- Budgeting
- Earns Interest

Did You Know?

The IRS will never email you or contact you via social media and will rarely call you without first sending you a letter.[2]

What services do financial institutions offer? What fees do they charge?

Financial institutions offer a range of services and products, including checking and savings accounts. These accounts allow customers to deposit and withdraw money, pay bills, and earn interest. Some common fees include monthly account fees, ATM fees, and overdraft fees. Often these are avoidable with proper knowledge of bank policies, such as the need to maintain a certain account balance.

What is the difference between a debit card, prepaid card, and credit card?

When a football coach is directing their team toward a win, they choose the players best suited to each play based on the athletes' strengths and weaknesses.

By the same token, when it comes to choosing among credit cards, debit cards, and prepaid cards, it's good to know their relative strengths. Knowing how they work and how best to use them in various spending circumstances lets you tap into the advantages of each without getting penalized. Before applying for a credit card, research and understand the fees associated with various cards.

Here's an easy way to remember the difference:

> **Pay now: Debit cards.** Debit card transactions are withdrawn instantly from your checking account.
>
> **Pay later: Credit cards.** Credit card transactions are added to your credit card balance. It's important to pay each balance on time and in full.
>
> **Pay in advance: Prepaid cards.** A prepaid card can be loaded with funds to make purchases anywhere a debit card is accepted. There may be fees that accompany using a prepaid card.

Learning Objectives, cont.

What services do electronic banking and mobile banking include?

- Locate ATMs
- Direct deposit
- Deposit checks — some even allow deposit by taking a picture of a check through the banking app
- Debit card purchases
- Track spending and review account history
- 24/7 account access
- Bill pay
- Text message notifications and account alerts

Did You Know?

The Consumer Financial Protection Bureau (CFPB) is tasked with protecting consumers and enforcing federal consumer financial laws.

How do I manage my account once it is open? How do I handle inaccuracies or mistakes with my account?

Three quick tips for checking account and debit card management

1. Keep an eye on your bank account balance and how much money you have available.
2. Know your limits. Find out how much cash you are allowed to withdraw at one time and how much money you have in your checking account, which is tied to your debit card.
3. Communicate with your financial institution. You can receive automatic alerts about changes to your account. If you notice any mistaken charges or inaccuracies, tell your financial institution right away.

[1]FDIC
[2]IRS.gov

Student Activities

> Financial Institutions Pre- and Post-Test

> What Am I? Game Questions

> Affinity Mapping Character Scenarios

Financial Institutions Pre- and Post-Test

Student Name: ______________________________

Directions: Answer the questions with the most appropriate answer, noting a, b, c or d.

1. A key difference between credit unions and banks is:

a. Banks usually pay higher interest on savings accounts

b. Credit unions are usually member-owned

c. Bank debit cards are more widely accepted

d. All of the above

2. A single fund account is insured by the Federal Deposit Insurance Corporation (FDIC) for up to how much?

a. $1,000,000

b. $500,000

c. $250,000

d. $150,000

3. What types of fees do financial institutions charge?

a. Mortgage loan fee

b. Overdraft fee

c. Late payment fee

d. All of the above

4. If you want to switch banks:

a. Compare services at other banks and credit unions first

b. Compare fees at other banks and credit unions first

c. Consider the location and convenience of other banks and credit unions first

d. All of the above

5. Overdrafts can happen when you're using:

a. A credit card

b. A prepaid card

c. A debit card

d. All of the above

What Am I? Game Questions

Exploring Checking Accounts and Financial Institutions

Directions: Circle the type of financial institution that most appropriately answers the question.

1. I am a nonprofit money cooperative whose members can borrow from pooled deposits at low interest rates. What am I? (bank, credit union, or both)

2. I am a for-profit public company owned by shareholders who have purchased company stock. What am I? (bank, credit union, or both)

3. I am insured by the NCUA. What am I? (bank, credit union, or both)

4. I am insured by the FDIC. What am I? (bank, credit union, or both)

5. People can come to me to open a checking or savings account. What am I? (bank, credit union, or both)

6. People can come to me to open a money market account. What am I? (bank, credit union, or both)

7. I offer overdraft protection and direct deposit as services. What am I? (bank, credit union, or both)

8. I am a financial institution that offers online banking. What am I? (bank, credit union, or both)

9. As a banking option, I might offer higher savings interest rates and lower loan or credit interest rates than the alternative. What am I? (bank, credit union, or both)

Affinity Mapping: Finding the Right Financial Service

Financial Services and Products:

Directions: Working within small teams, answer these questions about the benefits of various financial accounts and what to watch for that might not be beneficial.

Bank A: Simple Checking

No minimum balance requirements, free mobile app and text messages

What are the benefits?

What are the things to watch out for?

Bank B: Bundled Savings and Checking Account

$1,000 minimum balance requirement for savings account and $500 minimum balance requirement for checking account, overdraft protection with checking account, no ATM fees, savings account pays 0.1% interest

What are the benefits?

What are the things to watch out for?

Affinity Mapping: Finding the Right Financial Service, cont.

Credit Union C: Free Checking with Add-On Options

No minimum balance requirements, no monthly maintenance fee, free access to 240 credit union ATMs nationwide, option to add savings account for $1 minimum deposit, savings interest rate of 0.15%

What are the benefits?

What are the things to watch out for?

Prepaid Card D: Paid in Advance and Ready to Go

No loading or monthly maintenance fee, can only spend what is loaded on the card, $1 per transaction fee

What are the benefits?

What are the things to watch out for?

Learn More:

Prepaid Cards and Debit Cards:

practicalmoneyskills.com/ff34

practicalmoneyskills.com/ff35

Mobile and Electronic Banking:

practicalmoneyskills.com/ff38

practicalmoneyskills.com/ff39

Affinity Mapping: Finding the Right Financial Service, cont.

Directions: Working in small teams, review the Affinity Mapping Character Scenarios. Work together to map the bundled services and products to the correct character; remember to justify your decisions.

Character: 15 years old

Income: $45 twice a month for watching neighbors' kids

Current Financial Snapshot: $125 in cash

Banking Priorities:

- Values convenience — wants easy access to money without having cash on hand

Character Challenges:

- Does not have an adult ready to act as joint account holder

Which product would best fit this person's needs? Why?

Character: 17 years old

Income: $0, occasionally gets cash for holidays or birthday

Current Financial Snapshot: $75 in cash in wallet

Banking Priorities:

- Values security — doesn't want to worry about losing cash

Character Challenges:

- Limited funds for opening and maintaining an account

Which product would best fit this person's needs? Why?

Affinity Mapping: Finding the Right Financial Service, cont.

Character: 18 years old

Income: $120 a week working part-time

Current Financial Snapshot: $500 in a checking account

Banking Priorities:

- Values saving on costs — doesn't want to have funds eaten up by fees

Character Challenges:

- Current checking account charges $4 ATM fee; needs a better option

Which product would best fit this person's needs? Why?

Character: 19 years old

Income: $320 a week working part-time

Current Financial Snapshot: $1,500 in cash in jar at home, $250 in cash in wallet

Banking Priorities:

- Values cost savings — doesn't want to have funds eaten up by fees

Character Challenges:

- Does not want to have to pay for checking or savings

Which product would best fit this person's needs? Why?

Affinity Mapping: Finding the Right Financial Service, cont.

Character: 21 years old

Income: $575 a week working full-time

Current Financial Snapshot: $500 in checking account

Banking Priorities:

- Values customer support — wants easy access to a banker to speak with at a physical branch

Character Challenges:

- Monthly $15 account fee anytime a debit card is not used 10 times during month

Which product would best fit this person's needs? Why?

Glossary of Terms

Study this list of personal finance terms to warm up before playing Financial Football. By mastering these terms, you will have a better opportunity to answer questions in the game correctly and score.

Account balance: An account balance is the amount of money in a financial institution, such as a savings or checking account, at any given moment.

Annual fee: The once-a-year cost of owning a credit card. Some credit card providers offer cards with no annual fees.

Bank: A financial institution that invests money deposited by customers, provides loans, and exchanges currency.

Bank services: Services offered by a bank for convenience, such as online banking, automatic transfer, and check cancellation.

Brokerage firm: An organization that charges a fee to act as an intermediary between buyers and sellers of stock.

Certificate of deposit (CD): A savings certificate issued by a bank, depositing money for a specified length of time.

Credit card balance: A credit card balance is the total amount of money you owe to your credit card company. When you use your credit card to make a purchase, the balance increases. When you make a payment, the balance decreases. Any balance that remains at the end of the billing cycle is carried over to the next month's bill.

Checking account: An account at a bank that allows checks to be written and deposited by the account holder.

Credit union: A nonprofit cooperative that is owned by its members. Like banks, credit unions accept deposits, make loans, and provide a wide array of other financial services.

Debit card: A card that allows consumers to make purchases using money from their bank account. Debit card transactions are paid instantly, not in the future. A debit card is tied directly to a bank account, so when you make a purchase with that card, money is withdrawn from your account.

Deposit: Adding a sum of money to your account to increase your account balance.

Federal Deposit Insurance Corporation (FDIC): A body that regulates most banks in the United States and insures most private bank deposits. The Federal Deposit Insurance Corporation (FDIC) preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least $250,000. It does this by identifying, monitoring, and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails. An independent agency of the federal government, the FDIC was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s.

Financial advisor: A professional who provides financial services and advice to individuals or businesses.

Financial partnership: A relationship that requires financial interdependence, contribution, and communication.

Financial plan: A strategy for handling one's finances to ensure the greatest future benefit.

Guaranteed interest rate: The minimum interest rate an investor can expect from an issuing company.

Glossary of Terms, cont.

Invest: Putting money into an item, enterprise, or financial product with the expectation of earning a profit on that fund over time.

Investment: An item or financial product on which a consumer expects to earn a profit in the future.

Investment portfolio: A range of investments held by a person or organization.

Investment strategy: A set of rules or procedures to guide an investor's selections.

Liquidity: Being able to easily or quickly withdraw your money.

Minimum balance: A specific amount of money that a bank or credit union requires in order for you to open or maintain a particular account without paying maintenance or minimum balance requirement fees.

National Credit Union Share Insurance Fund (NCUSIF): The National Credit Union Administration preserves and promotes public confidence in the U.S. financial system by insuring deposits in credit unions for at least $250,000 per depositor, per insured credit union, for each account ownership category.

New York Stock Exchange (NYSE): A New York City–based stock exchange, which is considered the largest equities-based exchange in the world based on total market capitalization.

Nonprofit organization: An organization chartered for purposes other than making profits. These are groups that are tax-exempt under Internal Revenue Code Section 501(c)(3) as "public charities" because they are formed to provide "public benefit."

Online banking: Allows customers to conduct financial transactions via the internet.

Overdraft fees: Fees incurred when a customer withdraws more money from an account than what is available in the account.

Withdrawal: When you take money out of your account, thereby reducing your principal.

Withdrawal limit: The maximum amount a customer is able to withdraw from an account on a given day.

Withdrawal penalty: Any penalty incurred by an account holder for early withdrawal from an account with withdrawal restrictions.