Take Charge Today

CHECKING OUT DEPOSITORY INSTITUTIONS

A **depository institution** is a business that offers and sells financial services to people, such as savings and checking accounts. They assist people with daily financial tasks and play an important role in daily living. There are different types of depository institutions such as credit unions and commercial banks. They allow people to track their spending and saving.

Depository Institutions come in various forms including credit unions and commercial banks. A **credit union** is a not for profit depository institution that is owned by its members. A **commercial bank** is the most common depository institution that offers financial services to both consumers and businesses.

There are pros and cons to each type of depository intuition and the decision-making process should be used to choose your best option.

Learn more about credit unions

www.tinyurl.com/pocketcents

Identify two depository institutions in your community.

Are they credit unions or commercial banks?

What types of services do depository institutions offer?

One of the most important aspects of choosing a depository institution is to ensure that it is insured. There are two main types of insurances: **FDIC** for commercial banks and **NCUA** for credit unions. Both of these insurances are funded by the government and cover a single account up to $250,000.00.

FINANCIAL SECURITY

COMMERCIAL BANK

FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

CREDIT UNION

Your savings federally insured to at least $250,000 and backed by the full faith and credit of the United States Government
NCUA
National Credit Union Administration, a U.S. Government Agency

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CHECKING ACCOUNT

A **checking account** is a very common type of account that offers safety and convenience. Frequent withdrawals and deposits are expected with a checking account.

- **Checks** are used to withdraw money from a checking account. Checks are legal documents that function like cash. They are used to make purchases, but there must be sufficient funds in a checking account in order to write a check. If a person writes a check from an account that doesn't have sufficient funds, it is referred to as "bouncing a check" and the individual may be charged a fee and harm future credit opportunities.
- A **debit card** is a plastic card that is electronically connected to the cardholder's checking account and can be used instead of checks for making purchases. When a purchase is made, money is automatically withdrawn from the designated account. Debit cards require using a **personal identification number** (PIN) to access the account to perform transactions. A PIN confirms that the user of the debit card is authorized to access the account.
- An **automated teller machine (ATM)** is another way to have access to your account without human assistance. ATMs are accessed using a card and PIN. ATMs allow customers to withdraw and deposit money into their account, as well as make account transfers and view account balances.

Opening a Checking Account

- Read through the contract from the bank
- Fill out a **signature authorization card**
  - printed name
  - signed name
  - Social Security number
  - telephone number
  - address
  - date of birth

What negative consequences occur after "bouncing a check?"

Interest-Earning Checking Account

- A type of checking account
- Pays a small amount of interest

What is an advantage to having an **interest earning** checking account instead of a regular checking account?

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SAVINGS TOOLS

Savings tools keep money safe until the owner needs to use it for emergencies or to purchase expensive items. Money deposited into savings tools has the opportunity to earn **interest**. **Interest** is the amount of money that is either gained or lost when accessing services offered by a depository institution. The **interest rate** is the percentage used annually to calculate the total interest either gained or lost from an account supplied by a depository institution.

Why is it wise to store larger amounts of money in a savings tool rather than a checking account?

TYPES OF SAVINGS TOOLS

Savings Account

- Pays interest on the amount of money deposited in the account
- Money can be deposited and withdrawn an unlimited number of times during a month

Money Market Deposit Account

- Pays a higher interest rate than a savings account
- Requires more money to open than a savings account

Certificate of Deposit

- Pays a higher interest rate on a lump sum of money
- Once money is placed into a CD it is required to stay there for a specific period of time or you pay a penalty

Banks have many security measures that keep money safe and secure and most are insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC protects an individual's money from loss.

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