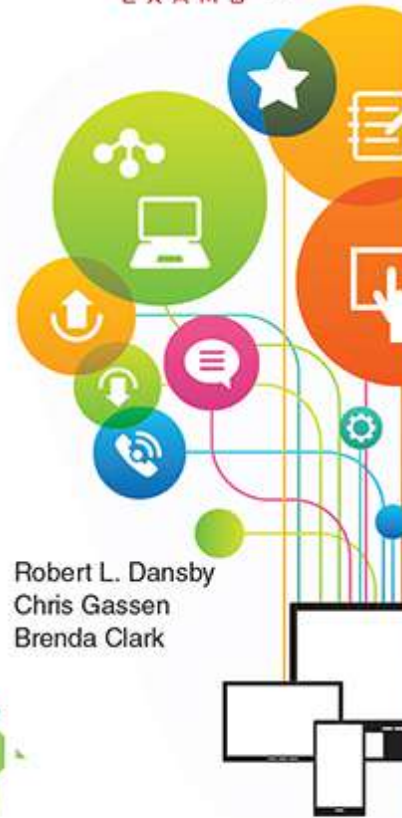


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# Principles of Business, Marketing, and Finance

PRECISION  
EXAMS



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*Presentations for PowerPoint*

# Principles of Business, Marketing, and Finance

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19

# **Personal Banking and Investments**

# **Section 19.1**

## **Personal Banking**

# Objectives

- **Identify** personal banking products and services commonly offered by financial institutions.
- **Describe** electronic banking options offered by financial institutions.
- **Explain** how to open and use a personal checking account.

# Key Terms

- savings plan
- overdraft
- stop-payment order
- cashier's check
- certified check
- money order
- traveler's check
- endorsement
- payee
- postdated check
- bank statement
- reconcile



# Essential Question

How do the banking products offered by financial institutions help individuals manage their money?

# Banking Products and Services

- *Banking products and services* are the variety of products and services offered to customers by a financial institution
- Banking products
  - *Checking account*: Allows owner to make deposits, write checks, and withdraw money
  - Bank cards: Debit and credit cards
  - **Savings plan** is a strategy for using money to reach important goals and to advance financial security;  
*savings account*

# Banking Products and Services

- Banking services
  - Safe-deposit boxes: Vault storage for valuables
  - Loans: Individuals borrow money to finance purchases
  - Account payments: *Overdraft protection service*; **overdraft** is a check written for an amount greater than the balance of the account. **Stop-payment order** is a request to a financial institution to refuse to honor a check
  - Special payment services: Alternate ways of making payments; cashier's checks, certified checks, money orders, and traveler's checks



# Banking Products and Services

- Special payment services (continued)
  - **Cashier's check** is a special type of check that the bank guarantees to pay.
  - **Certified check** is a personal check certified to be genuine with sufficient funds available.
  - **Money order** is a payment order for a specific amount of money payable to a specific payee
  - **Traveler's check** is a special form of check that functions as cash

# Electronic Banking Options

- Online banking
  - Offers access to account and account information
  - Bill payments and money transfer between accounts
  - Security and data integrity are a concern
- Mobile banking allows banking transactions through an app
- *Electronic funds transfer (EFT)* is the movement of money electronically from one financial institution to another; direct deposit and automatic bill payments
- *Peer-to-peer (P2P) payments* immediately transfer of money from one person to another

# Electronic Banking Options

- Automated teller machines (ATM) can be used for certain account activities; requires bank-issued debit or ATM card

## Safety Tips for Using an ATM

- Memorize your personal identification number (PIN). Do not tell anyone your PIN or carry it with you. If someone stole both your card and PIN, that person would have complete access to your account.
- Protect your privacy. Do not let anyone see you enter your PIN. If a friend is standing too close, politely ask the person to step back. If a stranger is too close, cancel your transaction and use the ATM at another time.
- Watch for suspicious people. Criminals may target ATMs as easy places to steal money. Before approaching, see if anyone is standing around. If so, use another machine or return later.
- Use an ATM in a well-lighted area. Generally, avoid nighttime use, but if necessary, choose a machine in a grocery store or other high-traffic area. If you are at the bank at night, choose a drive-up ATM rather than a walk-up machine.
- Make transactions at walk-up ATMs quickly. Approach the ATM with your card out and ready. Then, leave the area immediately and count your money later.

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# Checking Accounts

- Three common types:
  - *Basic checking account*: User can deposit and withdraw money and write checks; minimum balance required
  - *Interest-bearing checking account*: Money in account earns interest and user can write checks
  - *Lifeline checking account*: Low minimum deposit and balance requirements; limited number of checks per month
- To open a checking account, customer must verify identity, fill out forms, and sign a signature card

# Checking Accounts

- Deposits put money into an account
- **Endorsement** is a signature on the back of a check; required to deposit a check

● ENDORSE HERE

*Amy Adams*

---

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DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE  
RESERVED FOR FINANCIAL INSTITUTION USE

**Blank Endorsement**

● ENDORSE HERE

*For Deposit Only*

---

*First National Bank*

---

*Amy Adams*

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DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE  
RESERVED FOR FINANCIAL INSTITUTION USE

**Restrictive Endorsement**

● ENDORSE HERE

*Pay to the order of*

---

*Kayla Reynolds*

---

*Amy Adams*

---

DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE  
RESERVED FOR FINANCIAL INSTITUTION USE

**Special Endorsement**

# Checking Accounts

- Checks must be written correctly to be processed
  - Date check is written; **postdated check** is written with a future date
  - **Payee** is the person, business, or organization to whom the check is written
  - Amount of check in numbers
  - Amount of check in words
  - Reason for check payment
  - Signature

# Checking Accounts

Payee's name      Date      Amount in numbers written close to the dollar sign

THOMAS B. ANDERSON 08-92  
MARY A. ANDERSON  
123 MAIN STREET  
ANYWHERE, USA 12345

425  
9-5678/1234

Mar 2, 20--

PAY TO THE ORDER OF Lee's Grocery \$ 15.32

Fifteen and 32/100 DOLLARS

**HARLAND BANK**  
ANYWHERE, YOUR STATE 30345

**SAMPLE-VOID**

MEMO Groceries Thomas B. Anderson

Reason for writing the check      Amount in words, written as far to the left as possible, and a line drawn through remaining space      Signature that matches your bank signature card

1234 567890 1 234 567 0425

# Checking Accounts

- **Bank statement** is a record of checks, ATM transactions, deposits, and charges on an account
- **Reconcile** means to compare the check register to balance the checking account
  - Compare canceled checks recorded
  - Compare deposits recorded
  - Verify ATM transactions and fees
  - Check ATM transactions not on statement
  - Confirm debit card transactions
  - Subtract service charges



# Checking Accounts

RECONCILIATION WORKSHEET		CHECKS AND DEBITS OUTSTANDING (Written but not shown on statement because not yet received by Bank.)	
MONTH <u>March</u> -- , 20 --		NO. <u>498</u>	<u>28 40</u>
BANK BALANCE shown on this statement \$ <u>48.73</u>		<u>499</u>	<u>15 00</u>
ADD+		<u>ATM</u>	<u>25 00</u>
\$ <u>125.00</u>			
DEPOSITS made but not shown on statement because made or received after date of this statement.			
TOTAL \$ <u>173.73</u>			
SUBTRACT-			
CHECKS OUTSTANDING ..... \$ <u>68.40</u>			
BALANCE.....\$ <u>105.33</u>			
The above balance should be same as the up-to-date balance in your checkbook.			
		TOTAL	<u>68 40</u>

# Section 19.1 Review

1. What are the variety of products and services offered to customers by financial institutions called?

The variety of products and services offered to customers by financial institutions are called banking products and services.

2. What are three common types of checking accounts?

The three common types of checking accounts are basic, interest-bearing, and lifeline.

# Section 19.1 Review

## 3. Describe three ways to endorse a check.

The three ways to endorse a check are blank endorsement, which requires only the signature of the payee; restrictive endorsement, which may be used only for the specific purpose stated in the endorsement; and special endorsement, which is used to transfer a check to another party.

## 4. List the six items that must be filled in on a check.

Date, name of payee, amount of check in numbers, amount of check in words, reason on the Memo line, and signature.

# Section 19.1 Review

5. What information is typically included on a bank statement?

A bank statement usually begins with a summary of the account. It shows the beginning balance, total amount of checks and other payments, total of deposits and credits, and ending balance. There will also be a detailed listing of checks paid with the date, number and amount of each one; withdrawals, fees, and bills that were authorized for payment; and deposits and credits with the dates, descriptions, and amounts.

## **Section 19.2**

# **Savings and Investments**

# Objectives

- **Differentiate** the various types of savings plans.
- **Explain** the concept of investments.
- **Describe** the function of estate planning.

# Key Terms

- interest-bearing savings account
- high-yield savings account
- money market account (MMA)
- certificate of deposit (CD)
- investing
- personal investment plan
- investment portfolio
- diversification
- mutual fund
- individual retirement account (IRA)
- traditional IRA
- Roth IRA
- annuity
- estate
- executor
- will



# Essential Question

What are the options available for personal saving and investing?



# Savings Plans

- **Interest-bearing savings account** is a type of demand deposit account that pays interest and allows for regular deposits and withdrawals
- Regular savings accounts pay interest and allow deposits and withdrawals; *basic savings accounts*
- **High-yield savings account** is an account that pays a higher interest rate than basic savings accounts

# Savings Plans

- **Money market account (MMA)** is a type of savings account that requires a higher minimum balance than a regular savings account, but offers a higher interest rate
- **Certificate of deposit (CD)** is a savings account that requires a fixed deposit amount for a fixed period of time
  - Not liquid; *liquidity* refers to how easy it is to convert an asset into cash without losing value

# Investments

- **Investing** is purchasing a financial product or valuable item with the goal of increasing wealth over time in spite of possible loss
- **Personal investment plan** is a plan to develop investment growth
- **Investment portfolio** is a collection of securities and other assets a person owns
- **Diversification** is the process of spreading risk by putting money in a variety of investments

# Investments

## Creating an Investment Plan

<b>1. Write SMART goals.</b>	Define short-term and long-term investment goals. Is your goal to invest for the short term, such as purchasing a car? Or for the long term, such as purchasing a house or planning for retirement?
<b>2. Determine the date you will need funds from your investments.</b>	The date you need the money will determine what types of investments to make. Low-risk investments, such as bank CDs, are usually purchased for short-term goals. For long-term goals, stocks, and other higher growth investments are usually purchased.
<b>3. Research investment opportunities.</b>	Make a list of appropriate investments that will allow you to meet your goals.
<b>4. Decide how much risk you are willing to take.</b>	Weigh the pros and cons of risk taking. High-risk investments normally grow faster than low-risk investments. However, high-risk investments typically lose more in a bad economy.
<b>5. Determine how much money is needed for investing.</b>	Set up an investment plan and start investing to reach your target goal. Most investment plans can be funded on a monthly basis.
<b>6. Review the plan regularly.</b>	Review investment plans at least once a year to determine if you are on track to achieve your goals.
<b>7. Use your funds.</b>	Withdraw money from the plan to meet your goal.

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# Investments

- *Security* is a type of investment issued by a corporation, government, or other organization
  - Includes stocks, bonds, and mutual funds
- *Stock* is a share in the ownership of a corporation
  - *Dividend* is a portion of a company's earnings that is paid to stockholders
- *Bond* is a type of security issued by a corporation, government, or other organization that pays interest over time
  - Issuer owes face value of bond plus interest

# Investments

- **Mutual fund** is an investment created by pooling the money of many people and investing it in a collection of securities
- Valuable goods and real estate can be investments
  - Collectibles
  - Precious metals
  - Gemstones
  - Land and buildings

# Investments

- Retirement planning is key in financial security
- *401(k) plan* is employer-sponsored retirement plan
- *403(b) plan* is a retirement plan available to employees of nonprofit organizations
- **Individual retirement account (IRA)** is a personal retirement investment account created by a person
- **Traditional IRA** is an individual retirement account that allows individuals to contribute pre-tax income to investments that will grow tax deferred

# Investments

- **Roth IRA** is an individual retirement account in which individuals contribute after-tax income and qualified withdrawals are not taxed
- Self-employed individuals can open a *simplified employee pension (SEP) plan* or a *Keogh plan*
- **Annuity** is a contract with an insurance company that provides regular income for a set period of time, usually for life



# Estate Planning

- **Estate** consists of the assets and liabilities a person leaves when he or she dies
- *Estate planning* is active managing of assets with directives to be followed when the owner dies
- **Executor** is a person appointed to carry out the terms outlined in a will
- **Will** is a legal document stating a person's wishes for his or her estate after death

# Section 19.2 Review

1. List examples of types of savings accounts.

Different types of savings accounts include interest-bearing savings accounts, high-yield savings accounts, money market accounts (MMA), and certificate of deposit (CD) accounts.

2. Identify examples of securities.

Examples of Securities include stocks, bonds, mutual funds.

3. What are some valuable goods considered as investments?

Collectibles, precious metals, and gemstones.

# Section 19.2 Review

4. What are two types of retirement plans?

Employer sponsored programs and personal retirement programs.

5. What is estate planning?

Estate planning is the active management of these assets with directives for managing and distributing them when the owner dies.