

CHAPTER 7

BANKING SERVICES

“Where to Stash Your Cash”



Chapter 7.1

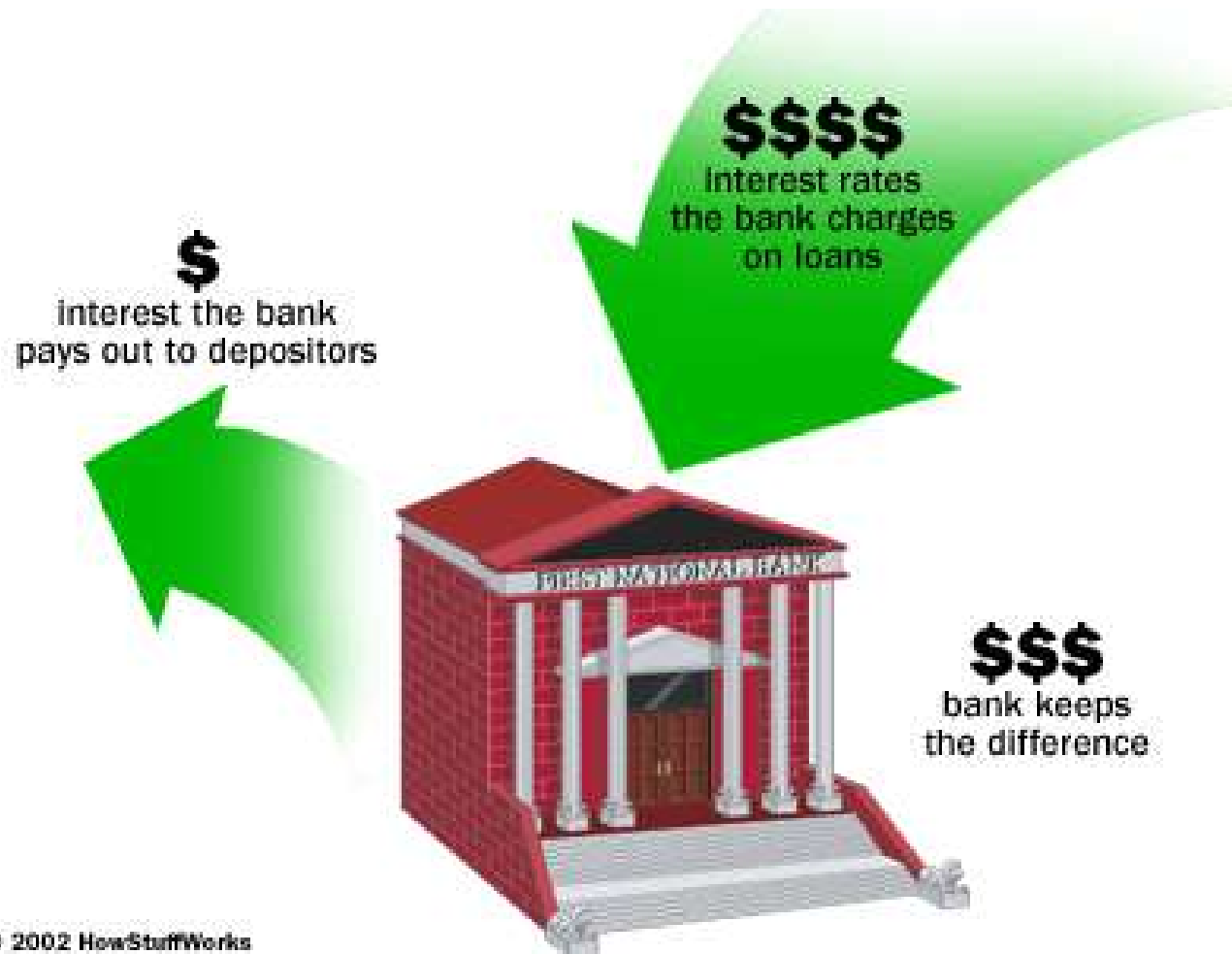
How Banks Work

The Role of Banks

- Banks are in Business to Make a Profit
 - Private Business
 - Main Income comes from INTEREST they CHARGE on loans
 - Pay depositors interest
 - Lower rates than what they charge for loans
 - Difference in the rates is the bank's income

Chapter 7.1

How Banks Work



Chapter 7.1 How Banks Work

- Other income
 - Fees for credit cards
 - Fees for checking accounts
 - Some help consumers create a financial plan for a fee (financial services)

Video Clip Time!

[Video for how to banks w#521AB1](#)

Chapter 7.1

How Banks Work

Why Choose a Bank?

1) BANKS PROVIDE SECURITY

- Banks have:
 - Vaults, guards, security systems
 - Banks belong to the FDIC

2) YOUR MONEY GAINS INTEREST

- Helps protect your purchasing power
- Purchasing Power – the value of your money

Example: When the price of a good or service goes up, your “purchasing power” (or the “power” of how much you can buy goes down)

Chapter 7.1

How Banks Work

3) REGULATED BY THE GOVERNMENT

- Bank owners are required to put some of their money and invest into their business- so their money is at risk too!
- Federal Deposit Insurance Corporation
 - It insures deposits in most banks up to \$250,000
 - If the bank fails and is unable to pay its depositors, the FDIC will pay

Chapter 7.1

How Banks Work

- ▶ Banks cannot loan all of the money they receive.
- ▶ Banks are required to keep some money on “reserve.”
- ▶ They must have money to give people who want to withdraw their money.

Chapter 7.1

How Banks Work

- Banks Make Borrowing Easier
 - Savers lend money to borrowers
 - Banks evaluate borrowers
 - They buy financial information about people who want loans
 - They judge who is a good risk
 - Banks help people pay for possessions they could not afford without a loan

**BANKS PLAY AN IMPORTANT ROLE IN OUR
ECONOMY!**

Chapter 7.1

How Banks Work

- Types of Money
- Currency – paper money and coins used for financial transactions
- Check – an order to a bank to pay a specified sum to the person or business named on the check - the payee
 - The bank withdraws this amount from your account

Chapter 7.1

How Banks Work

- Advantages of Using Checks

- 1) Safe

- Only the payee can cash the check
 - If someone other than the payee cashes the check illegally, the bank that cashed the check suffers the loss not the account holder
 - Banks ask for ID when cashing a check
 - Lost or stolen checks may be replaced

Chapter 7.1

How Banks Work

2) Convenient

- You don't have to carry large amounts of cash
- Can send money by mail with a check

3) Provide Records of Your Transaction

- When the payee cashes the check, it comes back to your bank for payment. You can see a record of this transaction online.

Bank Statement – a written record of all your checking account transactions for the month

Chapter 7.2

Using Your Checking Accounts

- Checking Account – A bank account that allows depositors to write checks and use debits to make payments
- Open a Checking Account
 - 18 or older (or have a co-signer)
 - Complete the signature card
 - Signature card – the bank's record of your signature

Chapter 7.2

Using Your Checking Account

- Banks provide you with checks for a fee
 - Can purchase checks from other companies
 - Check register also included (booklet for recording your transactions)
- ▶ The amount you write checks for cannot exceed your ACCOUNT BALANCE – total amount of money in your account
- ▶ OVERDRAWING – writing a check (or using a debit card) for more money that you have in your account

Chapter 7.2

Using Your Checking Account

- Fill out the Check Register First
 - Keep your register up-to-date
 - Check Number, Date, Payee, Amount, Reason
- Always know your ACCOUNT BALANCE - the total amount in the account at that time

Chapter 7.2

Using Your Checking Account

Check No.	Date	Description of Transaction	Payment (Debit)	Fee	Deposit (Credit)	Balance
						577.80
9908	6/10/04	Northern Electric	\$3.46			- 3.46
		May electric bill				494.34
	6/12/04	Deposit			100.00	+ 100.00
		birthday money				594.34
9909	6/15/04	Maria's Shoe Shop	29.80			- 29.80
		shoes for Jennifer				564.54
	6/17/04	ATM withdrawal	20.00	1.00		- 21.00
		lunch with Jody				543.54
9910	6/17/04	Eclipse Hair Salon	29.00			- 29.00
		hair color				514.54

Chapter 7.2

Using Your Checking Account

- Writing a Check
 - Date
 - Payee (Pay to the Order Of)
 - Amount in numbers (Dollars Box)
 - Amount in words (Dollars Line)
 - Reason (What for) – Optional
 - Your Signature

Chapter 7.2

Using Your Checking Account

Sue Cole

123 Main St.
Seattle, WA 98116

143

Jan. 3 2008

Pay to the
Order of Seattle Gas Company

\$ 340.22

Three hundred forty and $\frac{22}{100}$ Dollars

Fake Bank

Seattle, WA

For Gas account #12345

Sue Cole

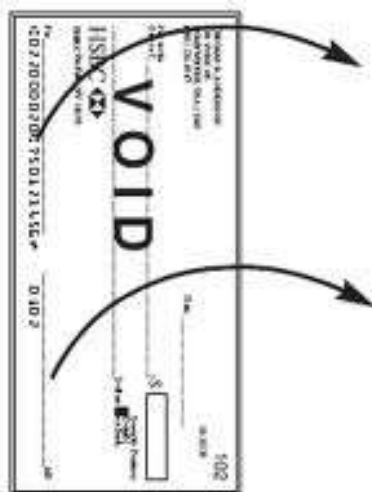
@00249587: 36592 143

Chapter 7.2

Using Your Checking Account

Cashing a Check

- Endorsement – A signature or stamp on the back of a check transferring ownership



ENDORSE CHECK HERE
X
DO NOT WRITE, STAMP, OR SIGN BELOW THIS LINE

Chapter 7.2

Using Your Checking Account

- Blank Endorsement – an endorsement consisting only of the endorser's signature
- Special Endorsement – an endorsement indicating a new owner of a check
 - Include: *Pay to the order of*
 - This is used when transferring the check to someone else (Third Party Check)
- Restrictive Endorsement – an endorsement restricting further transfer of a check's ownership
 - Includes: *For deposit only*
 - This prevents unauthorized persons from cashing the check if it is lost or stolen

Endorsement Practice

Blank Endorsement

ENDORSE CHECK HERE

X

DO NOT WRITE, STAMP, OR SIGN BELOW THIS LINE

Special Endorsement

ENDORSE CHECK HERE

X

DO NOT WRITE, STAMP, OR SIGN BELOW THIS LINE

Restrictive Endorsement

ENDORSE CHECK HERE

X

DO NOT WRITE, STAMP, OR SIGN BELOW THIS LINE

Chapter 7.2

Using Your Checking Account

Making a Deposit

- Deposit Slips – checks are listed according to the bank number on the check in which the check is written

SAMPLE DEPOSIT SLIP

Deposit Ticket		CURRENCY			
Name <u>Amber West</u>		COIN			
Date <u>Mar 10</u> 19 <u>99</u>		C h e c k s	1st Check Only	15	25
<u>Amber West</u> <small>Signature of depositor</small>				150	00
Bank of Huntington Beach Huntington Beach, California 92647				94	10
			Total From Other Side	65	83
			Total	325	18
			Less Cash Received	100	00
			Net Deposit	225	18

⑆ 341971401 ⑆ 3940561278 ⑈

Chapter 7.2

Using Your Checking Account

- Deposits must be recorded in the check register.
 - New balance needs to be calculated
 - When you deposit money, you cannot withdraw it immediately
 - The check must clear first
 - The money has to be sent from the payee's bank to clear

Chapter 7.3

Electronic Banking

- Electronic Funds Transfer (EFT) - Banks move money from one account to another by computer
 - EFTs are quicker and less expensive for banks to complete than paper transactions. They reduce the chance of losing money.
 - EFTs include: ATMs, direct deposits, debit cards, automatic bill payments, and online banking, mobile apps.

Chapter 7.3

Electronic Banking

- Automatic Teller Machine (ATM) –
 - Available anytime of day or night
 - Normally your own bank will not charge you an ATM fee
 - If you use another bank's ATM machine, or any ATM machine chances are you will incur a transaction fee.
 - The machine must tell you if it is going to charge you a fee. It must disclose the amount of the fee and you must agree to the fee
 - Plan ahead—don't be caught paying \$3 if you only need \$20. Make sure you remember to deduct any ATM fees in your check register, along with your ATM withdrawal.

Chapter 7.3

Electronic Banking

Notes of caution:

- Before you use an ATM machine, check out your surroundings.
- Protect your PIN (Personal ID Number) that links you to the card as the account holder.
- Bring a friend with you, especially at night for extra security.
- If you lose your card, report it immediately

If you plan to use your ATM often, see which bank has the most branches in the area you live, go to school or work.

*Also, check out their fees.

Chapter 7.3

Electronic Banking

- Debit Cards (Check Cards) - payments are electronically transferred from your checking account to the store's account
 - Most Debit Cards are associated with the major credit cards of VISA or MasterCard. You can use them wherever these cards are accepted.
 - You will receive a PIN number with these cards
 - Some stores will allow you to get additional cash above the amount of your purchase.
(Example: spend \$100 at a supermarket—you can get an extra \$20 back in cash, making your total purchase \$120.)

Chapter 7.3

Electronic Banking

- Remember, you can only use a Debit Card if you have enough money in your account to cover your purchase.
- Always keep receipts and record the transaction in your check register.

Chapter 7.3

Electronic Banking

- Direct Deposit – your employer directly deposits paychecks into your account on payday
 - You will still receive a paycheck stub and a *non-negotiable check*
 - The IRS will refund your income tax return via direct deposit

Chapter 7.3

Electronic Banking

Automatic Bill Payments

- Pay one month at a time or set up recurring payments for fixed expenses
- Can set these payments up online or with a banking app
 - Examples: Mortgage, Car Insurance, Car Payments, Loans
- These payments can be automatically withdrawn from your account each month
 - Record in your check register

Chapter 7.3

Electronic Banking

- Online Banking – Many banks have web sites which consumers may complete transactions on line.
 - You can pay bills and transfer money over the
 - Most banks offer apps where you can check account balances, transfer funds, pay bills, even make deposits by taking a picture of the check! 😊

Chapter 7.4

Balance Your Checkbook

- Balancing or Reconciling your Account – comparing your check register to the bank statement to make sure that you both agree
 - Banks send monthly statements that include your transactions and bank fees.
 - You can also print your bank statement online at anytime!

Chapter 7.4

Balance Your Checkbook

- Outstanding Checks – checks issued by a depositor but not yet reported on a bank statement
- Outstanding Deposits – deposits made at a bank but not yet shown on a bank statement
- Cancelled Checks – checks received by the bank and deducted from the depositor's account are stamped indicating they are not to be transferred further

Chapter 7.4

Balance Your Checkbook

- Differences in the YOUR records and the BANK statement
 - 1) A service charge may not have been recorded in the depositor's business records
 - 2) Outstanding deposits may not be recorded on a bank statement
 - 3) Outstanding checks have not been recorded on the bank statement
 - 4) Math or recording error!
- When the bank statement is received, the depositor should verify its accuracy.
- The bank should be notified immediately if they have made a mistake.

Chapter 7.5

Other Banking Services

Different Checks for Different Purposes

- Your check does not guarantee payment. You may not have enough money in the bank to cover the check you wrote.
- Certified Check – a personal check that has been stamped and signed by a bank officer. The stamp and signature guarantee that your account has the money to cover the check.
 - There is a fee for this service. Money for the check and the fee are deducted from your account.

Chapter 7.5

Other Banking Services

- Cashier's Check – a bank's own personal check, signed by the bank's cashier.
 - The money comes out of the bank's own money.
 - You specify whom it is going to and the cashier makes the check out.
 - Bank is responsible for the payment of the check.

Chapter 7.5

Other Banking Services

- Money Order – a check that draws on the money of the bank or other financial business that issued it. There is a fee.
 - A number of businesses sell these
 - Your name, not the bank's name, appears on the money order
- Advantage of using a money order over a personal check for mail order/online purchase
 - Companies will wait to ship your order until after your check clears at the bank, but ship it right away with a money order

Chapter 7.5

Other Banking Services

- Traveler's Checks – checks that you pay for in advance, and if they are lost or stolen, the company that you bought them from replaces them
 - You can get them replaced quickly if they are lost or stolen (usually a day or two)

Chapter 7.5

Other Banking Services

- **Other Services**
- **Wire Transfers** – an electronic communication that moves money from an account in one bank to an account in a different bank.
 - **Used when needed to move money fast – usually in minutes**

Chapter 7.5

Other Banking Services

- Safe Deposit Boxes – boxes with individual locks that you may rent from a bank. Located in a vault. Fee \$30 to \$40 a year for a small box.
 - Must show ID and sign in to get your box
 - Bank also has a key and the box requires both your key and theirs to open