

# CHAPTER 7

# BANKING SERVICES

## Banks Help You Move Your Money

### WHAT'S AHEAD

- 7.1** How Banks Work
- 7.2** Use Your Checking Account
- 7.3** Balance Your Checkbook
- 7.4** Electronic Banking
- 7.5** Other Banking Services

## LESSON 7.1

# How Banks Work

## GOALS

- ▶ Explain how banks operate and benefit consumers.
- ▶ Describe the different types of money that are used in the U.S. economy.

# KEY TERMS

- inflation
- Federal Deposit Insurance Corporation (FDIC)
- bartering
- currency
- check
- payee
- statement

# The Role of Banks

- ▶ Banks are in business to earn a profit
- ▶ Banks provide security
  - ▶ Protect your money's purchasing power
  - ▶ Banks are regulated
  - ▶ Most deposits are insured
- ▶ Banks make borrowing easier
- ▶ Money and financial transactions

# Types of Money

- ▶ Currency
- ▶ Check

# Advantages of Using Checks

- ▶ Safety
- ▶ Convenience
- ▶ Records of your transactions

# CHECKPOINT 7.1

- How do banks benefit consumers and help the economy work better as they strive to earn a profit?
- What are the two types of money that are used in the U.S. economy?

# CHECKPOINT 7.1 ANSWERS

- How do banks benefit consumers and help the economy work better as they strive to earn a profit?
- Banks earn income by charging borrowers higher rates of interest than they pay depositors.
- They protect depositors' money by using vaults, surveillance systems, guards, and deposit insurance.
- Without banks, many people and businesses could find it difficult to borrow funds.



# CHECKPOINT 7.1 ANSWERS

- **What are the two types of money that are used in the U.S. economy?**
- **Currency:** paper money and coins used for financial transactions
- **Checks:** an order to a bank to pay a specified sum to the party named on the check (the payee)

## LESSON 7.2

# Use Your Checking Account

## GOALS

- ▶ Demonstrate how to write, endorse, record, and deposit checks.
- ▶ Identify types of checking accounts and checking account fees.

# KEY TERMS

- **checking account**
- **check register**
- **account balance**
- **overdrawing**
- **endorsement**
- **third party check**

# Your Checking Account

- ▶ Open a checking account
- ▶ Write a check
- ▶ Record checks in your check register
  - ▶ Record each transaction
  - ▶ Record fees
  - ▶ Record interest
  - ▶ Calculate your new balance
  - ▶ Record check numbers

# Cash or Transfer Checks

- ▶ Cash a check
- ▶ Transfer a check

# Deposits

- ▶ Deposit form
- ▶ For deposit only
- ▶ Record your deposit
- ▶ The check-clearing process

# Checking Account Types and Costs

- ▶ **Checking account types**
  - ▶ Interest-bearing checking accounts
  - ▶ Noninterest-bearing checking accounts
- ▶ **Checking account fees**

## CHECKPOINT 7.2

- Describe the steps you need to take to write, endorse, and deposit a check.
- What costs should you expect to pay to use your checking account?



# CHECKPOINT 7.2 ANSWERS

- Describe the steps you need to take to write, endorse, and deposit a check.
- A written check includes the date, name of the payee, amount in numbers and written out, and your signature.
- When endorsing a check, you sign your name in the appropriate space on the back as it was written on the front.
- Depositing a check requires that you endorse it and complete a deposit form.

## CHECKPOINT 7.2 ANSWERS

- What costs should you expect to pay to use your checking account?

Checking accounts may require the payment of a monthly maintenance fee and a per-check fee.

## LESSON 7.3

# Balance Your Checkbook

## GOALS

- ▶ Identify information that is provided on a checking account statement.
- ▶ Explain how to reconcile your checkbook.

# KEY TERM

- **cancelled check**

# Your Bank Statement

- ▶ **Monthly statement**
  - ▶ Transactions
  - ▶ Bank fees
- ▶ **Balancing or reconciling your account**
- ▶ **Confirm transactions**

# The Account Reconciliation Form

## Statement Column

- Balance from statement
- List deposits not on statement
- Total statement balance and deposits
- List checks not on statement
- Total checks
- Statement balance

## Checkbook Column

- Balance from checkbook
- List deposits not in checkbook
- Total checkbook balance and deposits
- List fees not in checkbook
- Enter interest payment
- Total fees and interest
- Checkbook balance

# Account Reconciliation

- ▶ Fill out the account reconciliation form
- ▶ Make adjustments
- ▶ What if the bank made an error?
- ▶ File your records

## CHECKPOINT 7.3

- What types of information will be provided on your checking account statement?
- Why is it important for you to reconcile each of your checking account statements?



# CHECKPOINT 7.3 ANSWERS

- What types of information will be provided on your checking account statement?
- A record of all checks presented to the bank for payment
  - Deposits made
  - Electronic transfers
  - Fees
  - Interest earned

## CHECKPOINT 7.3 ANSWERS

- Why is it important for you to reconcile each of your checking account statements?
  - Statements should be quickly reconciled to find and correct any mistakes.
  - If they are not reconciled, depositors may write checks that will bounce and be charged substantial fees.

## LESSON 7.4

# Electronic Banking

## GOALS

- ▶ Describe transactions you can make at an ATM.
- ▶ Identify various uses of electronic funds transfers.
- ▶ Discuss your rights and responsibilities in electronic transactions.

# KEY TERMS

- **electronic funds transfer (EFT)**
- **automated teller machine (ATM)**
- **personal identification number (PIN)**
- **direct deposit**
- **debit card**
- **automatic withdrawal**

# Automated Teller Machines (ATMs)

- ▶ Your ATM card and PIN
- ▶ ATM transactions
  - ▶ ATM deposits
  - ▶ ATM withdrawals
- ▶ ATM costs
- ▶ Use ATMs responsibly

# Uses of Electronic Funds Transfers

- ▶ Direct deposit
- ▶ Debit cards
- ▶ Automatic bill payments
- ▶ Online banking

# Consumer Protection and Responsibilities

- ▶ Electronic Fund Transfer Act (EFTA)
- ▶ Bank responsibilities
- ▶ Consumer responsibilities

## CHECKPOINT 7.4

- What types of financial transactions may be completed at an ATM?
- In addition to ATM transactions, what types of electronic funds transfers are available to consumers?
- How does the EFTA protect you?



# CHECKPOINT 7.4 ANSWERS

- What types of financial transactions may be completed at an ATM?
- Deposit funds
  - Make withdrawals
  - Transfer funds
  - Pay bills

## CHECKPOINT 7.4 ANSWERS

➤ In addition to ATM transactions, what types of electronic funds transfers are available to consumers?

- The use of debit cards
- Automatic bill payments
- Direct deposits of paychecks and tax refunds

# CHECKPOINT 7.4 ANSWERS

➤ How does the EFTA protect you?

The Electronic Fund Transfer Act (EFTA) requires banks to inform customers of fees and to supply receipts for electronic transactions.

## LESSON 7.5

# Other Banking Services

## GOALS

- ▶ Identify alternatives to personal checks and explain their uses.
- ▶ Describe the use of wire transfers and safe deposit boxes.

# KEY TERMS

- certified check
- cashier's check
- money order
- traveler's check
- wire transfer
- safe deposit box

# Different Checks for Different Purposes

- ▶ Certified checks
- ▶ Cashier's checks
- ▶ Money orders
- ▶ Traveler's checks

# Other Services

- ▶ Wire transfers
- ▶ Safe deposit boxes

## CHECKPOINT 7.5

- Why can't personal checks be used to make payments in every situation?
- In what situation might you use a wire transfer?



# CHECKPOINT 7.5 ANSWERS

- Why can't personal checks be used to make payments in every situation?

Accepting a personal check involves some risk to payees because they do not know whether money is on deposit to cover the check. By using other forms of checks, payees are assured that a payment is good.

## CHECKPOINT 7.5 ANSWERS

➤ In what situation might you use a wire transfer?

When funds need to be moved over a distance quickly (e.g., large sums in commercial transactions, emergencies where checks aren't accepted, etc.)