Participant Guide

FDIC Financial Education Curriculum

Bank On It

Revision Date: 03–2010

Checking In

Welcome

Welcome to the *Bank On It* module! By taking this training, you are taking an important first step to building a better financial future for you and your family. It all starts with understanding the basics of personal finances.

Objectives

After completing this module, you will be able to:

- Identify the major types of insured financial institutions
- Identify five reasons to use a bank
- Describe the steps involved in opening and maintaining a bank account
- Describe two types of deposit accounts
- Identify additional bank services that come with deposit accounts
- Describe the main functions of the bank customer service representative, teller, loan officer, and branch manager

Participant Materials

This *Bank On It* Participant Guide contains:

- Information and activities to help you learn the material
- Tools and instructions to complete the activities
- Checklists and tip sheets
- A glossary of the terms used in this module

Ice Breaker – How Much Does it Cost Exercise

Practice completing a Bank Account Register

Date	Description	Payment	Deposit	Balance
	Opening Balance			$100.00

Introduction to Banks

Banks, *credit unions*, and *thrifts* are businesses that offer you a safe place to keep your money and use your deposits to make loans. Banks, credit unions, and thrifts are also called *financial institutions*, since they offer many financial services.

Reasons to Keep Money in a Bank

Reasons why you should keep your money in a bank include:

- **Safety.** Your money is safe from theft, loss, and fire.
- **Convenience.** You can get money quickly and easily. Using direct deposit, for example, allows you quicker access to your money because funds that are electronically deposited are available sooner than if you deposited a check. We will talk more about direct deposit later.
  You can also use Automated Teller Machines (ATMs) to get fast access to your money. Most ATMs are available 24 hours a day, 7 days a week. Additionally, you can use your bank's ATM or debit card to make purchases instead of cash.
- **Cost.** Using a bank is almost always cheaper than using other businesses to cash your check.
- **Security.** The Federal Deposit Insurance Corporation (FDIC) insures deposits up to the maximum amount allowed by law. This means that the FDIC will return the money to the customers if a bank closes and cannot give its customers their money.
- **Financial future.** Building a relationship with a bank establishes a record of paying bills, can help you save money, and can help with getting a loan.

Types of Financial Institutions

Types of financial institutions include:

- **Banks and thrifts.** Banks and thrifts make loans, pay checks, accept deposits, and provide other financial services.
- **Credit unions.** A non-profit financial institution owned by people who have something in common. You have to become a member of the credit union to keep your money there. Credit unions accept deposits, make loans, and provide other financial services.

  Insured banks and thrifts are guaranteed by the FDIC. This means that if the bank were to fail the FDIC would return your money, up to the insured amount.
- You can tell if the FDIC insures a bank by the displayed FDIC logo.
- Most credit unions are insured by the National Credit Union Administration (NCUA). The deposit insurance rules are the same at NCUA-insured credit unions as they are at FDIC-insured banks.

The FDIC has an online tool called the Electronic Deposit Insurance Estimator (EDIE). It lets you calculate the insurance coverage of your accounts at each FDIC-insured institution.

You can find EDIE online at www.myfdicinsurance.gov/.

Activity 1: Name That Service

Read the description of each service. Choose the banking service that matches it, and fill in the blank with the name of the banking service.

Banking services

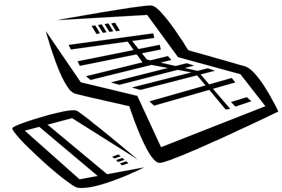
Direct deposits	Money transfer
Money order	Debit card
Telephone banking	Stored value card
Online banking	Loan
ATM	Remittance

Description of services

1. ____________________ A method of electronically transferring money from one bank to another.
2. ____________________ A specific type of money transfer that goes to a bank or a person in another country.
3. ____________________ A kiosk or terminal where you can deposit, withdraw, or transfer money from one account to another 24 hours a day.
4. _____________________You place a call to check your account balance.
5. _____________________This allows you to check your account balance on the computer. It may also include the ability to pay bills and transfer funds between accounts.
6. _____________________This is used like a check to pay a bill.
7. _____________________One method your employer or a government agency might choose to issue your paycheck or benefits check.
8. _____________________Money you borrow from a bank with a written promise to pay it back later.
9. _____________________When you use this card to buy something from a store or another business, the money comes out of your bank account immediately.
10. _____________________ A card onto which you can load money to be used for future purchases.

Privacy Laws and Regulations

Privacy Notices



Privacy notices explain how:

- The company collects, handles, and shares your personal financial information
- Your personal financial information is protected
- You might limit the company from sharing your information with others

You will receive an initial privacy notice when you open your account and every year thereafter.

Financial institutions may share your information with other companies to offer you other products and services. Federal privacy laws give you the right to stop or opt out of some sharing of your personal financial information.

Opting Out

If you prefer to limit the promotions you receive, or if you do not want marketers and others to have your personal financial information, you must:

1. Review the privacy notice to determine whether the company shares information with others.
2. Tell the credit bureaus not to share information on you with lenders and insurers who use the information to decide whether to send you unsolicited offers of credit or insurance.

You have the right to opt out of some information sharing with companies that are:

- Part of the same corporate group as your financial company (or affiliates)
- Not part of the same corporate group as your financial company (or non-affiliates)

You can opt out of receiving prescreened offers by:

- Calling **1-888-5-OPTOUT (567-8688)**
- Visiting www.optoutprescreen.com

Note:

- If you opt out, you limit the extent to which the company can provide your personal financial information to non-affiliates.
- If you do not opt out within a reasonable period of time (e.g., 30 days after the company mails the notice), then the company can share certain personal financial information.
- If you did not opt out the first time you received a privacy notice from a financial company, contact your financial company and ask for instructions on how to opt out.
- Remember, however, that any personal financial information that was shared before you opted out cannot be retrieved.

You cannot opt out and completely stop the flow of all your personal financial information. The law permits your financial companies to share certain information about you without giving you the right to opt out. Among other things, your financial company can provide to non-affiliates:

- Information about you to firms that help promote and market the company's own products or products offered under a joint agreement between two financial companies
- Records of your transactions—such as your loan payments and credit card or debit card purchases—to firms that provide data processing and mailing services for your company
- Information about you in response to a court order
- Your payment history on loans and credit cards to credit reporting agencies

Important Bank Employees

The primary bank employees to be familiar with are:

- The customer service representative
    - Helps you open your account
    - Explains services
    - Answers general questions
    - Refers you to other employees who can help you
    - Provides written information explaining the bank products
- The teller
    - Deposits your money for you
    - Cashes your checks
    - Answers questions
    - Refers you to other employees who can help you
- The loan officer
    - Takes applications for loans offered at the bank
    - Answers questions
    - Provides written information explaining loan products
    - Helps you fill out a loan application
- The branch manager
    - Supervises all the branch operations
    - Helps fix problems that the other employees can't solve

Key Point to Remember

- Ask for help if you do not know whom to talk to at a bank.
- Ask questions until you are clear on all the information.
- Do not sign anything you do not understand.
- Ask for written information to take home to review.
- Use the **Choosing a Bank and a Bank Account Checklist** to help you choose a bank and the account that is right for you.

Glossary

Automated Teller Machine (ATM): A kiosk or terminal where you can deposit, withdraw, or transfer money from one account to another 24 hours a day.

Balance: The amount of money you have in your bank account.

Bank: A business that offers you a safe place to keep your money and uses your deposits to make loans. This business is also called a financial institution.

Bank Statement: A monthly record of the deposits and withdrawals made.

Checking Account: An account that lets you write checks to pay bills or to buy goods.

Credit Union: A non-profit financial institution owned by people who have something in common. You have to become a member of the credit union to keep your money there.

Deposit: Money you add to your account.

Deposit Account: A bank account that allows you to add money to the account.

Deposit Slip: A piece of paper that tells the bank how much money you are adding to your account.

Direct Deposit: One method your employer or a government agency might choose to give you your paycheck or benefits check.

Interest: A percentage of your balance that the bank pays you for keeping your money at that bank. Not all accounts pay interest.

Loan: Money you borrow from a bank with a written promise to pay it back later.

Minimum Balance: A certain balance that banks might require you to have to open an account, earn interest, or avoid fees.

Money Order: It is similar to a check. It is used to pay bills or make purchases when cash is not accepted.

Privacy Notice: A written explanation of how the company handles and shares your personal financial information.

Remittance: A money transfer that goes to a bank or a person in another country.

Savings Account: An account that earns interest.

Thrift: A financial institution that operates under federal and state laws and regulations. Thrifts make loans, pay checks, accept deposits, and provide other financial services.

Withdrawal: Taking money out of your bank account.

Wire Transfer: A form of money transfer from one bank to another.

For Further Information

Federal Deposit Insurance Corporation (FDIC)
www.fdic.gov/consumer
Division of Supervision & Consumer Protection
2345 Grand Boulevard, Suite 1200
Kansas City, Missouri 64108
1-877-ASK-FDIC (275-3342)
Email: consumeralerts@fdic.gov

Visit the FDIC's website for additional information and resources on consumer issues. For example, every issue of the quarterly *FDIC Consumer News* provides practical hints and guidance on how to become a smarter, safer user of financial services. Also, the FDIC's Consumer Response Center is responsible for:

- Investigating all types of consumer complaints about FDIC-supervised institutions
- Responding to consumer inquiries about consumer laws and regulations and banking practices

U.S. Financial Literacy and Education Commission
www.mymoney.gov
1-888-My-Money (696-6639)
MyMoney.gov is the U.S. Government's website dedicated to teaching all Americans about financial education. Whether you are planning to buy a home, balance your checkbook, or invest in your 401k, the resources on MyMoney.gov can help you. Throughout the site, you will find important information from many federal agencies.

Federal Trade Commission
www.ftc.gov/privacy
1-877-FTC-HELP (382-4357)
The Federal Trade Commission (FTC) website offers practical information on a variety of consumer topics, including privacy, credit, and identity theft. The FTC also provides guidance and information on how to select a credit counselor.

Participant Guide

FDIC

Money Smart

FDIC Financial Education Curriculum

Check It Out

Part 1

Revision Date: 03–2010

Checking In

Welcome

Welcome to *Check It Out*! You are taking a step to building a better financial future for yourself and your family by learning how to manage a checking account responsibly. You will also discover that having a checking account is convenient and can save you money.

Objectives

After completing this part of the module, you will be able to:

- State the benefits of using a checking account
- Determine which checking account is best for you
- Identify the steps involved in opening a checking account
- Add money to a checking account
- Withdraw money from a checking account
- Use an Automated Teller Machine (ATM)

Participant Materials

This *Check It Out* Participant Guide contains:

- Information and activities to help you learn the material
- Tools and instructions to complete the activities
- Checklists and tip sheets
- A glossary of the terms used in this module

Benefits of a Checking Account

Convenience

Checking accounts are convenient because they provide you with quick and easy access to your money. Paychecks, income tax refunds, and public assistance benefits can be directly deposited into your account. *Direct deposit* means that rather than receiving money as a paper check, the money is electronically deposited into your bank account. With a checking account, you also have the benefit of using checks and debit cards to make purchases or payments, rather than carrying and using cash. This can reduce your risk of losing cash.

Cost

A checking account is usually less expensive than other services (e.g., check-cashing services or buying money orders).
Remember, it saves to shop for the best deal when comparing checking accounts; if you do not like the "price" at one bank check with another.

Better Money Management

Using a checking account can help you manage your money if you regularly record or monitor your transactions. *Transactions* are actions you perform with your account, including: depositing or withdrawing money, writing a check or using your debit card to pay bills and make purchases, and having funds directly deposited into your account.

Maintaining a checking account (or other types of bank accounts):

- Allows you to monitor your spending and make wise spending choices
- Gives you a better ability to stick to a spending plan and save money
- Helps you build a positive relationship with your bank for future transactions (e.g., getting future credit or loans)
- Provides a record that you pay your bills on time

Safety

It is safer to use checks and debit cards than to carry large amounts of cash. Additionally, you can limit your financial loss if you report lost or stolen checks or debit cards to your bank as soon as possible.

Keeping your money in a Federal Deposit Insurance Corporation (FDIC)-insured financial institution means your money is safe up to the insured limit by law if the financial institution closes for any reason and cannot return your money to you.

- Visit the FDIC's **Electronic Deposit Insurance Estimator (EDIE)** at www.myfdicinsurance.gov. It lets you calculate the insurance coverage of your accounts at each FDIC-insured institution.

Activity 1: Comparing Costs

Read each scenario below. Then answer the questions to determine if Bob can save money by opening a checking account instead of using a check-cashing service.

Scenario 1: Bob

Bob cashes his weekly paycheck at Fees4Cash, a check-cashing counter. Fees4Cash charges Bob $5.00 to cash every check.

1. How much does Bob pay Fees4Cash each month to cash his paychecks?

   ____

2. How much does Bob pay each year (based on 52 weeks)?

   ____

Scenario 2: Martin

Martin opts to have his paycheck from his employer deposited onto a stored value card he purchased for $5 at a local supermarket because his employer did not offer payroll cards.

Stored value cards, or prepaid cards, generally allow consumers to spend only the money deposited on the card. *Payroll cards* are one of four main types of stored value card. They are used by an employer to pay wages instead of giving you a paper paycheck. Payroll cards are unique from other types of stored value cards because you do not need to purchase them or pay activation fees since your employer provides the card.

The card advertises that money could be "loaded" onto it via direct deposit or by going to certain stores. It has a major credit issuer logo on it, so he could use it anywhere, like a credit or debit card. Martin uses his stored value card to go to four utility companies (electric, water, phone, and cable TV) and pay the bills in person. He is charged $2 for every transaction by his card issuer.

1. How much does Martin pay each month in fees when using the stored value card to pay his bills?

____

2. How much does Martin pay each year in fees when using the stored value card to pay his bills?

____

Scenario 3: Shellie

Shellie has a checking account. The bank charges a monthly fee of $6 only if she does not use direct deposit or her debit card more than five times per month.

1. If Shellie uses direct deposit or her debit card frequently, and she uses no more than one box of checks every year, which cost her $18, how much does she pay to maintain her checking account?

   ____

Comparing Scenarios

1. How much can Bob save per year if he opens a checking account and pays what Shellie does?

   ____

2. Even if Bob pays a $6 monthly fee for a total of $72 a year, plus the cost of the checks ($18), how much could he save each year?

   ____

3. How much can Martin save each year if he opens a checking account and pays what Shellie does?

   ____

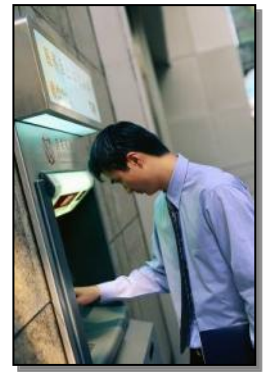
Determining Your Account Needs Worksheet

The following questions will help you determine what you need in a checking account.

Convenience	
How many checks do you think you will write per month?	
Will you use the ATM or teller services often? Does the bank have ATMs or locations close to where you live or work?	
What are the bank's hours of operation?	
Do you plan to do most of your banking online or with a debit card?	
What other bank services are important to you?	
What online services does the bank offer?	
Can you link your savings account to your checking account to cover overdrafts?	
Cost	
How much money will you keep in your account?	
Will you be charged for writing checks?	
Will you be charged for online banking/bill pay?	
Are you willing to pay a monthly fee? If so, how much?	
Will you be charged to use your bank's ATM?	
Will you be charged for using other banks' ATMs?	
Will you be charged for using teller services or contacting customer service?	
Are there ways to avoid paying fees?	

Types of Checking Accounts

Free/Low-Cost Checking



The charge for a low-cost checking account is often no more than $5 per month. However, this fee may be waived if you use direct deposit or use your ATM or debit card a minimum number of times a month.

Electronic-only/ATM Checking

This account usually requires you to use direct deposit and your ATM or debit card. This account might be right for you if you handle most of your banking transactions online or via an ATM rather than going in to a bank branch. Remember to verify the fees! You may be charged a monthly service charge for not meeting a minimum number of online or electronic transactions, writing checks, or using in-person teller services.

Regular Checking

With a regular checking account, there is usually a minimum balance required to waive the monthly service fee. This type of account usually offers unlimited check-writing privileges.

Interest-Bearing Checking

With these accounts, you usually have to maintain a high minimum balance—generally at least $1,000—in order to earn interest and avoid fees. There are different interest-bearing accounts:

- Negotiable Order of Withdrawal (NOW) account
- Money Market Deposit Account (MMDA)

Choosing a Bank and a Checking Account Checklist

*If the financial institution is a credit union, be sure you are eligible to join.	**Bank Name/ Account Type** ___________	**Bank Name/ Account Type** ___________	**Bank Name/ Account Type** ___________
Bank Information			
Does the bank offer the services I need?			
Convenient branches and ATMs?			
Bank hours?			
Do employees speak my language?			
Is it insured by FDIC/National Credit Union Administration (NCUA)?			
Accounts			
• Requirements for opening account?			
Checking Accounts			
• Minimum opening balance?			
• Minimum monthly balance?			
• Fees?			
• Fee waivers available?			
• Number of withdrawals per month without a fee?			
• Earns interest?			
• Deposit hold times?			
Overdraft Programs			
• Low balance alerts offered?			
• Overdraft fees?			
• Link to a savings account to cover overdrafts?			
• Opt-out options?			
Savings accounts			
• Minimum opening balance?			
• Minimum monthly balance?			
• Annual percentage yield (APY)?			
• Fees?			
• Fee waivers available?			
• Withdrawal limits per month?			
• Services available?			
ATM Cards			

• Fees?			
• Fee waivers available?			
• Location/number of ATMs?			
Debit cards			
• Fees?			
• Fee waivers available?			
• Rebates or bonuses for use?			
• Location/number of ATMs?			
• Debit card transactions requirements or limits?			
Mobile/online banking			
• Is it available?			
• Transaction types and limits?			
• Fees?			
• Fee waivers available?			
• Online bill pay?			
Other Information?			
Total Monthly Costs			
Total Annual Costs			

Activity 2: Checking Account Fees

Match the fee description with its fee type. Read each description and choose a fee type from the box. Then write the fee type next to the description.

Phone Inquiry Fee	Returned Deposit Item
Teller Fee	Overdraft Fee
Monthly Service Fee	Check Printing Fee
ATM-Use Fee	Fee for helping you balance your checkbook
Stop-Payment Fee	Per-Check Fee

Fee Type	**Description**
	This is also called a maintenance fee. The bank might charge this monthly fee just for having the account.
	This is a fee for each check you write. Depending on the account, you might pay the fee for each check, or only when you write more than a certain number of checks (perhaps five) a month.
	A charge automatically deducted from your checking account for printing checks you purchase from the bank. You can buy checks from other companies as well, choosing from many different designs.
	A charge for using the ATM at your bank or at a bank other than your own. If you use another bank's ATM that bank may charge an additional fee.
	Also called *non-sufficient funds (NSF) fees*, these fees are charged when you do not have enough money in your account to cover your transactions (e.g., withdrawal, purchase, or payment).
	Banks might charge you this fee if a check you wrote is cashed or deposited and do not have enough money in the account to cover the check.
	This fee is charged if you ask the bank to stop the check from being paid. Note that the bank might not be able to catch the check before it is paid.
	Some banks charge this fee if you call to check your balance or determine whether a check or deposit has cleared.
	Some banks will help you balance your checkbook. Others might charge you for this service.
	Some banks may charge a fee if you use a teller to make deposits or withdrawals more than a set number of times each month. Banks that charge this fee do so to encourage you to use an ATM for your basic banking transactions.

Activity 3: Choosing the Right Checking Account

Read the scenario. Determine whether or not David should open a checking account. Then read and answer the questions about fees a bank might charge.

Scenario

David is trying to decide whether a checking account is right for him. He has been using a check-cashing store, which charges $5 to cash a check. He gets paid every Friday, so this costs him $20 to $25 a month. David has four bills that he pays with money orders each month. They each cost $1 each, so this brings his total monthly costs to $24 to $29.

His employer recently told him about direct deposit, but David must have a bank account in order to use this service. David's sister told him about her bank. It charges $6 a month for a checking account. However, this fee is waived if you use direct deposit. A box of 250 checks will last David a year and cost him $18. He can write checks and use the bank's ATM for free.

What advice would you give David?

____

____

YourChoice Bank **Fee Schedule for a Checking Account**	
Monthly service fee This fee is waived if you keep a minimum daily balance of $500	$10
ATM transaction fee at: • Your bank • Other banks	 FREE $2
Overdraft or NSF fee	$35 per item
Stop payment requests fee	$35 per item

1. Last month, Andre used an ATM at YourChoice Bank five times, and he used another bank's ATM twice. How much will YourChoice Bank charge Andre for using his ATM card last month?______________________
2. Last week, Patricia wrote a $200 check to her friend but lost the check. She wanted to make sure no one cashed the check so she made a stop payment request. How much must Patricia pay to request a stop payment?_________
3. For the past 11 months, Samuel kept at least $600 in his checking account every day. Last month, an emergency came up and his balance was $100. In the 12-month period, how much will Samuel pay in monthly service fees?

   ____
4. Robert wrote a check for $500 to pay his rent. He forgot that he had only $450 in his checking account. What is the name of the $35 fee Robert had to pay to YourChoice Bank?_______________________________________

Frequently Asked Questions

These are questions you may have during your search for a checking account. You can refer to this list for information or ask a bank professional for information specific to that bank.

1. What are the fees?

The Truth in Savings Act requires institutions to disclose fees before you open a deposit account. If there is a monthly fee, ask about ways to reduce or eliminate it (e.g., having your paycheck or Social Security check directly deposited to your account or by maintaining a minimum balance). Also ask about other fees (e.g., for using ATMs or overdrawing your account). As you shop around, consider only the fees you expect to incur and do not worry about the rest.

2. Is there a minimum balance requirement? What is the penalty for going below the minimum?

You may be able to meet the requirement or reduce the penalty if you have other accounts at the same bank or if you use direct deposit.

3. Will the account earn interest? If so, how much and what factors can raise or reduce the interest rate?

Some checking accounts pay interest, others do not. A high interest rate or APY on a checking account is definitely an attention grabber. But that great rate shouldn't divert your attention from fees that can significantly reduce, if not wipe out, your earnings. Examples include monthly fees for going below a minimum balance, monthly or quarterly "inactivity" fees if you have had no deposits or withdrawals for a certain time period, and annual service charges on Individual Retirement Accounts (IRAs).

To get the best deal possible, first think about how you plan to use the account and how much you expect to keep on deposit, and then compare different accounts at a few different institutions. Do the math as best you can, figuring your interest earnings after a year, and then subtract the estimated fees for services or a low balance based on your expected use of the account. Sometimes an account that pays no interest can be a better deal than an interest-bearing account that is heavy with fees you are likely to have to pay.

Also, remember that just because an account is advertised as "free" or "no cost," it does not mean you will pay nothing. Under Federal Reserve Board rules, an account may be described as free even if certain fees are charged (e.g., for ATM withdrawals or overdrafts).

4. If I overdraw my account, what are my options for avoiding fees for insufficient funds?

Many banks offer overdraft lines of credit, which work like a loan. Keep in mind that these programs typically come with their own costs. Of course, the best way to avoid overdrawing your account is to keep your checkbook up-to-date by recording all transactions and regularly balancing your account.

How can I avoid unnecessary costs?

Keep your check register up to date. Deduct for all withdrawals—not only for checks but also for ATM transactions, bank fees, and debit card purchases. Do not rely on your ATM receipt for balance information, because it may not reflect outstanding checks or debit card transactions.

Promptly compare your check register with your bank statement to look for errors or unauthorized transactions. Open and review your monthly statement as soon as it arrives in the mail, or check your account information more frequently online or by telephone.

Take additional precautions to avoid fees for insufficient funds. For instance, make sure you have enough money in your account before you write a big check, use your debit card, or arrange for an automatic payment. Also, remember that under federal rules that allow banking institutions to put a temporary “hold” on certain deposits, you may have to wait from 1 to 5 business days (in most situations) before you can withdraw funds deposited into your account; possibly longer in other circumstances (e.g., deposits over $5,000 or if your account has been repeatedly overdrawn).

5. Will the bank and the account be convenient for me?
If you make frequent visits to the bank or to ATMs, their locations (and the fees paid for ATM withdrawals) may be the most important consideration in deciding where to open a checking account.

6. How can I protect myself and my family from identity theft?
Be extra careful with your full name and address, date of birth, Social Security Number (SSN), bank account information, phone number, and your mother’s maiden name. This is personal information that banks and other businesses use to confirm your identity, which can be very valuable to an identity thief wanting to pose as you to commit fraud.

Do not give out personal information in response to an incoming call or email from a stranger, or an advertisement on the Internet. For example, beware of what law enforcement officials call “phishing,” a type of identity theft in which criminals use fake websites and emails to “fish” for valuable personal information.

Take advantage of your right under federal law to obtain one free copy of your credit report (a history of paying debts and other bills) each year from each of the three nationwide credit bureaus (Equifax, Experian, and TransUnion). Identity thieves may use your information to open a new credit card account in your name. Then, when they do not pay the bills, the delinquent account is reported on your credit report. Inaccurate information like that could affect your ability to get credit, insurance, or even a job. By periodically reviewing your report, you can make sure the information is accurate and correct any omissions or errors, especially before you apply for a home loan or seek some other benefit where your credit report could affect the outcome.

Opening a Checking Account

Requirements for Opening a Checking Account

When you decide to open a checking account you will be asked to prove your identity by providing: a photo ID (e.g., a state-issued driver's license or ID card), your SSN, or Individual Taxpayer Identification Number (ITIN) for your opening deposit.

The bank will then verify you are who you say you are and have you complete a signature card. A *signature card* is a form you complete and sign when opening an account. This is the document that identifies you as the owner of the account, and it identifies what your signature looks like. This helps protect you and your money against forgeries and unauthorized account use.

Identity Verification and Checking History

The bank performs identity verification because it wants to make sure that no one is trying to steal your identity to open an account. The bank may also check to see whether you have any outstanding issues with other banks, and how you have managed your accounts in the past. The bank may even pull your credit report to assess your risk as a potential customer.

If the bank determines that you are not eligible to open an account, ask about "second chance" checking programs. These programs may require you to meet certain requirements (e.g., completing a check-writing workshop). Ask your local financial institution and/or any reputable credit counseling agency if there are programs in your area.

Check Register

You can use a check register to keep track of the money you put into and take out of your checking account.

Check Number	Date	Description of Transaction	Payment/Debit (-)	Deposit/Credit (+)	Balance

Using Money in Your Checking Account

Depositing Money

Cash Deposit with a Deposit Slip

Deposit slips are included in your checkbook, and have your account number printed on them. When making a cash deposit with a deposit slip:

- Make sure the deposit slip has your correct account and address information. If not, write it in the spaces provided.
- Write in the transaction date.
- Add up the total cash and checks and write the amounts in the correct spaces (e.g., cash in the "Cash" or "Currency" boxes and checks in the "Check" box).
- Give the teller your deposit slip and your cash. The teller will count the money before depositing it into your account.

Check Deposit with a Deposit Slip

The back of the check has what is called an *endorsement area*. *Endorsing* a check means to sign the back of it so you can deposit or cash the check.

If depositing the check, you should write "For Deposit Only" and sign your name in the endorsement area. "For Deposit Only" prevents others from cashing your check if it is lost or stolen. When you receive a check as payment and want to cash it, you would only sign your name in the endorsement section.

If you have more checks than will fit on the front of the deposit slip:

- Use the back of the deposit slip to list them.
- Add up the amounts of the checks on the back of the deposit slip.
- Transfer this total to the front.
- Enter this amount in the box labeled "Or Total From Reverse."

When you deposit your check(s) you can also receive cash back. *Net deposit* is the amount that will go into your account after you subtract any cash that you are receiving.

Deposits by Mail

You may also be able to make deposits by mailing your checks and deposit slip to your bank. You should never send cash through the mail.

Direct Deposit

Direct deposit occurs when your employer or a government agency electronically deposits your paycheck or benefits into your checking account. Not all employers offer direct deposit; ask your employer what options are available to you.

If you are a recipient of federal benefits (e.g., Social Security or Supplemental Security Income) you might qualify for an Electronic Transfer Account (ETA). Call **1 (888) 382-3311** or visit www.eta-find.gov/ for more details. To sign up for direct deposit of your Social Security or other federal benefits, you can contact **Go Direct** at www.GoDirect.org, or call **1 (800) 333-1795**.

ATM Deposits

An ATM allows you to make deposits and withdrawals 24 hours a day, 7 days a week. You can also use an ATM to check your account balance and transfer money between savings and checking accounts. In order to use an ATM you must have a *Personal Identification Number (PIN)*.

PINs are a "secret code," usually 4 digits, which you enter with the keypad on the ATM when you first insert your card into the machine. You should never tell anyone your PIN, or write it down where you keep your ATM/debit card. Otherwise, someone may use your PIN and take all the money from your account.

If someone uses your card without your permission, federal law protects you. However, to be fully protected and to minimize your losses, report lost or stolen ATM/debit cards and/or unauthorized charges to your bank immediately.

With some ATMs you can deposit checks and cash directly into the ATM. Other ATMs require you to put your deposit into a deposit envelope provided in a tray or box near the ATM.

Be sure to fill in the information listed on the envelope if your bank requests it. This information may include your name, phone number, account number, and deposit amount.

Include a deposit slip in the envelope, and insert the envelope into the ATM when it prompts you to do so.

To make an ATM deposit:

1. Insert your ATM card, using the illustration indicating which end of the card to insert first.
2. Follow the prompts to deposit the money:
    a. Enter your PIN.
    b. Select "Deposit" from the touch screen menu or the appropriate button to the side of the screen.
    c. Use the keypad to enter the amount you are depositing.
    d. Insert the cash or checks as directed. Some ATMs now have electronic readers. If you insert your cash or checks, it will automatically count and add the amount for you. For this type of machine, you do not need a deposit slip.
    e. The machine may ask if you want to complete another transaction and if you want a receipt—if you do, press "Yes"; if not, press "No."
3. After you finish, the ATM will return your ATM card. **Do not forget to take your ATM card!**

Do you expect to make a lot of ATM withdrawals? Consider a bank with conveniently located ATMs and free withdrawals from its own machines. Depending on the bank and the account, your bank may charge a fee for using another bank's ATM—in addition to the fee the other institution may impose.

Activity 4: Filling Out a Deposit Slip

On March 22nd, you decide to deposit $30 in cash to your checking account at the teller window. Fill in the deposit slip to make your cash deposit.

Your Name
Address
City, State, Zip

Deposit Ticket
00002215607

Date ____________________________

Deposits May Not be Available for Immediate Withdrawal

____

Sign Here for Cash Received (If Required)

Cash		
Checks		
Total		
Less Cash Received		
Total Deposit		

Your Financial Institution

241071212 ***00002215607*** ***2201***

Now record the following information in your check register:

- **Date**: March 22, 20XX
- **Description of Transaction**: Deposit
- **Deposit/Credit (+)**: $30.00
- **Balance**: $110.25

Activity 5: Check Deposit with Cash Back

On March 23rd, you decide to deposit a $50 check and get $25 in cash back. Fill in the deposit slip below to make your cash deposit.

Your Name
Address
City, State, Zip

Deposit Ticket
00002215607

Date ______________________

Deposits May Not be Available for Immediate Withdrawal

____

Sign Here for Cash Received (If Required)

Cash		
Checks		
Total		
Less Cash Received		
Total Deposit		

Your Financial Institution

241071212 ***00002215607*** ***2201***

Now record the following information in your check register:

- **Date**: March 23, 20XX
- **Deposit/Credit (+)**: $50
- **New Balance**: $160.25

AND

- **Date**: March 23, 20XX
- **Payment/Debit (-)**: $25.00
- **New Balance**: $135.25

If you prefer, you can record it as a single entry:

- **Date**: March 23, 20XX
- **Deposit/Credit (+)**: $50.00
- **Payment/Debit (-)**: $25.00
- **New Balance**: $135.25

Ways to Take Money Out of Your Account

You can write a check, use electronic banking, or use the teller service and a withdrawal slip.

Steps to Writing a Check

A *check* is a written contract between you and your bank. When you write a check, you are asking the bank to take money from your account and give it to someone else. There are three steps you need to take to write a check:

1. Make sure you have enough money in your account.
2. Complete all the blank spaces on the check.
3. Record the transaction in your check register.

Preprinted Information

When you receive your first box of checks you can expect to find information already printed on the checks including:

- Your name and address
- The check number and codes
- Your bank's name
- Routing number
- Your account number

Do NOT have your Social Security or driver's license number preprinted on your checks because of the risk of identity theft.

Writing a Check for Cash

If you want to use a check to take cash out of your account:

- Write "Cash" or your name in the "Pay to the Order of" area on your check.
- Do not write a check for "Cash" until you are in the bank.
- Like writing any other check, remember to record the withdrawal in your check register.

How to Withdraw Money from the ATM

To withdraw money using an ATM:

1. Insert your ATM card, using the illustration indicating which end of the card to insert first. On some machines, you will insert and remove your card in one motion; other machines will take your card until the end of the transaction.
2. Follow the prompts to withdraw the money:
   a. Enter your PIN.
   b. Select "Withdrawal" (or "Withdraw") from the touch screen menu, or the appropriate button to the side of the screen.
   c. Use the keypad to enter the desired withdrawal amount. Most ATMs deliver funds in multiples of $10 or $20.
   d. Retrieve your money from the cash slot.

e. The machine may ask if you want to complete another transaction or if you would like a printed receipt—if you do, press “Yes”; if not, press “No.” If you print a receipt, save it so you can accurately enter the transaction in your check register.

3. If you make any mistakes when entering the information, you may be able to press “Clear” to re-enter the information or “Cancel” to cancel the transaction and start over.
4. **Do not forget** to take your ATM card if the ATM returns it at the end of a transaction!

A Note About ATM Fees

If you have a limit to the number of ATM transactions you can make per month, be sure to withdraw all you need so you do not get charged for extra transactions.

Also be aware of the fees your bank charges for using another bank’s ATM—in addition to the fee the other institution may impose. For example, if you withdraw $20 from another bank, your bank may charge you up to $3.00 for using another bank’s ATM and the other bank may charge you a $3.00 fee. That means you will be withdrawing $20 and paying $6 in fees, which is equivalent to a fee of 30 percent!

In addition, be careful not to overdraw your account, as you may incur NSF/overdraft fees. Remember to record all ATM transactions and fees in your check register to avoid overdrawing your account.

Use the Teller Service and a Withdrawal Slip

Your bank may only require you to sign a receipt the teller prints when completing a withdrawal. If your bank provides or requires you to use a withdrawal slip, you may need to fill in:

- The date
- Your name, if not preprinted
- Account number and account type (e.g., checking or savings), if not preprinted
- The amount you wish to withdrawal
- Your signature

Completing a deposit slip in order to receive cash back is another option for withdrawing money from your account.

Activity 6: Writing a Check

Imagine that on March 26, 20XX you decide you want to buy a coffeemaker from a store called Coffee Mart. The coffeemaker costs $19.75, including tax.

Look at your Practice Check Register. Do you have enough money in your checking account to write a check for this coffeemaker?____________

If you do, fill out the check below to pay for your coffeemaker.

YOUR NAME 69/175-2031 **0105**
Address
City, State, ZIP ________________ Date

Pay to the
Order of ____________________________________ $ [   ]

____ Dollars

Your Financial Institution

For________________________ ________________________

⑆:01242896⑆: 654859699⑈ 3266

Now record the following information in your check register:

- **Check #:** 105
- **Date**: 3/26/20XX (You can enter the current year, if you choose.)
- **Description of Transaction**: Coffee Mart
- **Payment/Debit (-)**: $19.75
- **Balance**: $180.25

Glossary

Automated Teller Machine (ATM): A computer terminal in which you can deposit cash and checks into your account or withdraw cash from your account 24 hours a day, 7 days a week.

Check: A written contract between you and your bank. When you write a check, you are asking the bank to take money from your account and give it to someone else.

Checking Account: An account that allows you to write checks to pay bills and buy goods. The financial institution will send you a monthly statement that lists the deposits, withdrawals, and purchases you made.

Check Register: A booklet to write down all of your deposits and withdrawals from your account, including fees and monthly charges.

Debit Card: A card that allows you to deposit cash into and withdraw money from your checking account at many Automated Teller Machines (ATMs), and make purchases at retail locations that accept credit cards (e.g., department stores or gas stations).

Deposit: A transaction in which money is added to your account (e.g., you deposit money, the bank pays you interest, or a check is direct deposited into your account).

Deposit Slip: A slip used to let the teller know how much money you are depositing.

Direct Deposit: An electronic method for transferring and depositing money directly into your account.

Endorsement: The act of signing the back of a check so that you can deposit or cash it.

Electronic Banking: The use of computers to move money to and from your account, instead of using checks and other paper transactions. Electronic banking includes debit card transactions, electronic bill pay, and Automated Teller Machine (ATM) transactions.

Electronic Bill Pay: A service that automatically takes money from your account to pay your bills.

Fees: The amount charged by financial institutions for account activities and services.

Fee Schedule: A bank document that lists the fees you might be charged for certain account activities.

Interest: The extra money in your account that the bank pays you for keeping your money.

Reconciliation: The act of resolving the difference between the statement balance and your check register balance.

Signature Card: A form you complete and sign when you open an account indicating you are the account owner.

Substitute Check: An electronic image of your check that has the same standing as the actual check.

Transaction: A banking activity (e.g., depositing or withdrawing money, using your Automated Teller Machine (ATM) or debit card, or having checks direct-deposited into your account).

Withdrawal: The process of taking money from your bank account.

For Further Information

Federal Deposit Insurance Corporation (FDIC)
www.fdic.gov/consumer
Division of Supervision & Consumer Protection
2345 Grand Boulevard, Suite 1200
Kansas City, Missouri 64108
1-877-ASK-FDIC (275-3342)
Email: consumeralerts@fdic.gov

Visit the FDIC's website for additional information and resources on consumer issues. For example, every issue of the quarterly *FDIC Consumer News* provides practical hints and guidance on how to become a smarter, safer user of financial services. Also, the FDIC's Consumer Response Center is responsible for:

- Investigating all types of consumer complaints about FDIC-supervised institutions
- Responding to consumer inquiries about consumer laws and regulations and banking practices

U.S. Financial Literacy and Education Commission
www.mymoney.gov
1-888-My-Money (696-6639)
MyMoney.gov is the United States (U.S.) Government's website dedicated to teaching all Americans about financial education. Whether you are planning to buy a home, balance your checkbook, or invest in your 401k the resources on MyMoney.gov can help you. Throughout the site you will find important information from federal agencies.

Federal Trade Commission
www.ftc.gov/credit
1-877-FTC-HELP (382-4357)
The FTC website offers practical information on a variety of consumer topics, including privacy, credit, and identity theft. The FTC also provides guidance and information on how to select a credit counselor.

Go Direct
www.GoDirect.org 1-800-333-1795
To quickly and easily sign up for direct deposit of your Social Security or other federal benefit payments, contact Go Direct, a campaign sponsored by the U.S. Department of the Treasury and the Federal Reserve Banks.

Electronic Transfer Account
www.eta-find.gov/ 1-888-382-3311
Generally anyone who receives (or represents someone who receives) one of the following Federal Government payments is eligible to receive his or her monthly payments electronically through an Electronic Transfer Account (ETA): Social Security, Supplemental Security Income (SSI), Veterans Benefits, Civil Service Wage Salary or Retirement Payments, Military Wage Salary or Retirement Payments, Railroad Retirement Board Payments, or Department of Labor (DOL)/Black Lung.

Participant Guide

FDIC Money Smart

FDIC Financial Education Curriculum

Revision Date: 03–2010

Checking In

Welcome

The *Check It Out* module will help participants learn how to open, use, and manage a checking account responsibly. You will discover that having a checking account is convenient and can save you money. You are taking a step to building a better financial future for yourself and your family.

Objectives

After completing this part of the module, you will be able to:

- List four types of electronic banking services
- Explain how debit cards are linked to checking accounts
- Record fees and transactions in your check register
- Reconcile a check register with a bank statement
- Explain overdraft fees and how they affect your checking account
- Describe how to manage a checking account wisely

Participant Materials

This *Check It Out* Participant Guide contains:

- Information and activities to help you learn the material
- Tools and instructions to complete the activities
- Checklists and tip sheets
- A glossary of the terms used in this module

Using Electronic Banking

Overview

Electronic banking uses computers to move money to and from your bank account instead of checks and other paper transactions. Examples of electronic banking include:

- Automated Teller Machine (ATM) transactions with use of an ATM or debit card
- Automatic bill pay
- Online bill pay
- Cell phone banking

Debit Cards

A *debit card* is similar to an ATM card but it has more functions. The difference is that you can use a debit card to make purchases at retail locations (e.g., department stores and gas stations).

If someone uses your card without your permission, federal law protects you. But the protection differs depending on whether you used your debit or credit card.

With a debit card, the disputed transaction will have already been withdrawn from your account. If you report the problem promptly, the financial institution will put the money back into your account (less $50) if it is unable to resolve the matter within 10 business days. You must report errors within 2 business days of discovering them to be fully protected under federal law. Some banks may voluntarily waive all liability for unauthorized transactions if you took reasonable care to avoid fraud or theft.

With a credit card, you do not have to pay the disputed transaction while the company that issued the credit card is investigating the matter. If someone uses your credit card without your permission after it is lost or stolen, federal law limits your losses to a maximum of $50, although industry practices may further limit your losses.

Temporary Holds

When you swipe a card for a purchase where the exact amount is not known (e.g., at a hotel or when reserving a rental car), a *temporary hold* is sometimes placed on funds in your account until the actual transaction posts to the account. The hold will likely be for an amount greater than you actually spend. This temporary hold could prevent you from buying other things, even if you do have the money available.

For example, imagine you have $200 in your checking account and you use your debit card to reserve a hotel room that costs $100. If the hotel places a temporary hold on the funds in your account for the amount of $200, you will have no money available to use until the hotel posts the charges to your account or releases the hold.

Many car rental companies and hotels allow you to use debit cards to reserve a car or a room. The temporary hold amount is generally more than the cost of the car or room and can last several days. When making travel reservations, be sure to ask about the debit card hold policy.

Here are some differences between a debit card and a credit card:

	Debit Cards	Credit Cards
Payments	• Buy now, **pay now.**	• Buy now, **pay later.**
Interest Charges	• **No charges apply** as funds are automatically debited from your checking account.	• **Charges will apply** if you carry a balance or your card offers no grace period (time to repay without incurring interest charges).
Fees	• **Fees** on certain transactions (e.g., an ATM fee charged for withdrawing funds from an ATM not operated by the financial institution that issued your card). • Potentially costly fees if you try to spend more money than you have available in your account.	• **Fees and penalties** can be imposed if payments are not timely. • **Some cards also have annual fees.** • **Not all cards offer grace periods** (time to repay without incurring interest charges).
Other Potential Benefits	• **Easier and faster** than writing a check. • **No risk** of losing cash that you cannot replace. • Some cards may offer **freebies or rebates.** • As long as you do not overdraw your account, debit cards are a good way to pay for purchases without borrowing money and paying interest.	• **Freebies** sometimes offered (e.g., cash rebates, bonus points, or travel deals). • You can **withhold payment** on charges in dispute. • **Purchase protections** offered by some cards for faulty goods. • If you are careful about how you manage your credit card, especially by paying your bill on time, **your credit score may go up** and you may qualify for lower interest rates on loans.
Other Potential Concerns	• Usually there are **no protections** against faulty goods and services. • You need another way to pay for unexpected emergencies (e.g., a car repair) if you do not have enough money in your bank accounts.	• **Over-spending** can occur, since the credit limit may be higher than you can afford. • If you do not pay your card balance in full each month, or your card does not have an interest-free grace period, **you will pay interest.** This can be costly, especially if you only pay at or near the minimum amount due each month.

Automatic Bill Payment

Automatic bill payment automatically takes money from your account to pay your bills. If you use automatic bill pay, make sure you have enough money in your account to cover your bills when they are due, and keep track of your account balance. Check your bills regularly to ensure the bill is accurate and the payment is made. You may be responsible for late payments if the bill is not paid automatically as anticipated.

Online Bill Payment

Online bill payment is different from automatic bill payment in that you can designate when bills are paid from your account each month. You may be able to pay bills from your online banking account, through a budgeting software program, and/or by creating an online account with your service provider (electric, water, or cable/satellite companies, etc.).

Cell Phone (Mobile) Banking

Depending on the services offered by your financial institution and your cell phone service provider, you may be able to conduct the following banking transactions from your cell phone:

- Receive text message alerts when your account balance reaches a certain level, or when a certain transaction occurs
- Access your online bank account to check balances, pay bills, and transfer funds between accounts
- Locate your bank's closest ATMs
- Pay for purchases

Safe Electronic Banking

The Internet offers convenient new ways to shop for financial services and conduct banking transactions any day, any time. However, safe electronic banking involves making wise choices that will help you avoid costly surprises, scams, or identity theft. Some precautions you can take include:

- Using a secure and encrypted connection to the Internet
- Disregarding fraudulent emails asking you to send your account number, password, or any personal information via email; legitimate financial institutions do not ask for this information via email
- Confirming that an online bank is legitimate by contacting the Federal Deposit Insurance Corporation (FDIC) (at www.fdic.gov)
- Monitoring your bank account activity closely
- Keeping your information private
- Contacting your bank to find out more about precautions you can take with the online and mobile banking services they offer
- Using anti-virus software, keeping it updated to detect and block spyware and other malicious attacks, and using a "firewall" to stop hackers from accessing your computer

Protection Against Identity Theft

The Internet offers the potential for safe, convenient new ways to shop for financial services and conduct banking business any day, any time. However, safe electronic banking involves making good choices and making decisions that will help you avoid costly surprises or even scams.

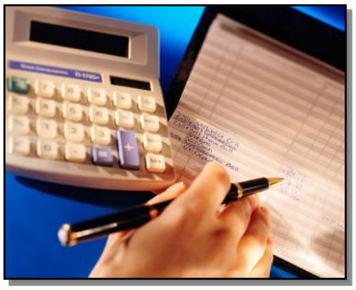
The evolution of identity theft includes the spread of fraudulent "phishing" emails. These are unsolicited emails allegedly from a legitimate source—perhaps your bank, utility company, well-known merchants, your Internet service provider; or even a trusted government agency (e.g., the FDIC) attempting to trick you into divulging personal information.

Whether you bank online or in person, there are many ways to keep your identity from being "hijacked," and to assist you if you have become a victim of identity theft:

- Protect your Social Security Number (SSN), credit card and debit card numbers, Personal Identification Numbers (PINs), passwords, and other personal information. Never provide this information in response to an unsolicited phone call, fax, letter, or email—no matter how friendly or official the circumstances may appear.
- Protect your incoming and outgoing mail to prevent thieves from obtaining valuable financial and personal information.
- Keep your financial trash "clean" by limiting the use of your Social Security number and other valuable information. Also, destroy documents containing SSNs, bank account information, and other details a dishonest person can use to commit fraud.
- Keep a close watch on your bank account statements and credit card bills. Monitor these statements each month and contact your financial institution immediately if there is a discrepancy in your records, or if you notice something suspicious (e.g., a missing payment or an unauthorized withdrawal).
- Avoid identity theft on the Internet:
    - Confirm that an online bank is legitimate and that your deposits are insured.
    - Keep your personal information private and secure.
    - Understand your rights as a consumer.
    - Learn where to go for more assistance from banking regulators.
- Make sure your bank requires a password or PIN to use a cell phone for banking, in case your cell phone is lost or stolen. You should also contact your cell phone provider immediately. The provider may be able to deactivate the phone or have sensitive information erased.
- Contact your bank to find out about any additional precautions it may be able to take, or what you can do to protect yourself.
- Exercise your rights to receive one free credit report each year at www.annualcreditreport.com. Review your credit record and report fraudulent activity.

Accurately Recording Account Activity

Steps to Keeping Accurate Account Records



To keep an accurate record of your checking account activity, you should:

1. Record all transactions in your check register or budgeting software.
2. Record maintenance fees, interest, and other bank charges.
3. Review monthly checking account statements.
4. Reconcile your check register with monthly checking account statements.

Receipts

You should get a receipt when you use a debit card to buy goods or perform electronic banking transactions. If the merchant cannot give you a receipt, or if you forget to get a receipt, promptly record the amount so you can record and track the expense later. Remember that all purchases, even small ones, add up. You can avoid costly overdraft fees by recording transactions and monitoring your current account balance regularly.

When using an ATM, make it a practice to always get a receipt. Printed ATM receipts usually include:

- The amount of the transaction
- Any extra fees charged
- The date of the transaction
- The type of transaction (e.g., deposit or withdrawal)
- A code for your account or ATM card and the available balance
- The ATM location or an identification code of the terminal used
- The name of the bank or merchant where you made the transaction

Record All Transactions in Your Check Register

If you do not regularly monitor your banking transactions and account balance online, you should record all transactions (i.e., electronic banking, cash transactions, writing a check) in your check register or enter them into a budgeting software program.

If you have a joint account, or if other family members have an ATM or debit card attached to your checking account, make sure you record their transactions as well.

Record Interest and Fees

With an interest-bearing checking account, review your monthly account statement to determine how much interest you received. Record this interest as a deposit (+) in your check register or budgeting software. Your monthly account statement will also indicate if you are charged any fees. You would record any fees as a payment or debit (-).

Activity 1: Record Transactions in Your Check Register

Complete your check register by entering the following transactions and calculating the new balance each time.

Here is the information we are going to record:

- Date: 3/12/20XX
- Description of Transaction: Debit
- Deposit/Credit (-): $100.00

  And…
- Date: 3/19/20XX
- Description of Transaction: Deposit
- Deposit/Credit (+): $30.00

  And…
- Date: 3/19/20XX
- Description of Transaction: Deposit
- Deposit/Credit (+): $50.00

Check Number	Date	Description of Transaction	Payment/Debit (-)		Deposit/Credit (+)		Balance	
	2/20	Previous Balance					$200	00
105	2/26	Coffee Mart	19	75			$180	25

Review Monthly Checking Account Statements

Most checking account statements show:

1. Your bank's name and address
2. The time period covered by the statement
3. Your name and address
4. Your account number
5. A list of all transactions by date
6. A list of all cashed checks in numerical order by check number; some banks do not provide this
7. Statement summary, including fees and charges (if any)

Y

Your Bank
1212 Y Street 1
Somewhere, US 00001

3 Your Name
4321 Second Street
Somewhere, US 00001
4 Account Number 543685321454

Summary of Account Activity
For period ending 3/20/20XX 2
Date of last statement 2/20/20XX

Date	Transaction Description	Withdrawal/ Deposit Amount	Balance
2/20	Opening Balance		200.00
2/26	Check #105 5	-19.75	180.25
3/12	ATM Withdrawal	-100.00	80.25
3/20	Monthly Fee	-5.00	75.25
		Ending Balance	**75.25**

6

Cleared Checks Check #	**Amount**
105	19.75

Summary 7

Previous Balance	*Total Deposits*	*Total Withdr.*	*No. of Checks*	*No. ATM Transactions*	*No. of Deposits*	*Service Charge*	*New Balance*
$200.00	$0	$119.75	1	1	0	$5.00	$75.25

Reconciling Your Checking Account

When you receive your monthly checking account statement, you may notice a difference between the statement balance and your check register. This difference may occur if:

- You did not record some of the transactions listed on the bank statement.
- Some of your recorded transactions were posted after the bank statement was prepared and sent to you.

Reconciling your checking account helps you find the reasons for the differences and make any necessary corrections. We will review two ways you can reconcile your checking account.

Activity 2: Reconcile Your Check Register

Use the checking account statement to answer the questions below, and reconcile your check register according to the directions on the next page.

Checking Account Monthly Statement

Y Your Bank 1212 Y Street Somewhere, US 00001	Your Name 4321 Second Street Somewhere, US 00001 Account Number 543685321454

Summary of Account Activity

For period ending 3/20/20XX

Date of last statement 2/20/20XX

Date	Transaction Description	Withdrawal/ Deposit Amount	Balance
2/20	Previous Balance		200.00
2/26	Check #105	-19.75	180.25
3/12	ATM Withdrawal	-100.00	80.25
3/19	Deposit	30.00	110.25
3/19	Withdrawal	-25.00	85.25
3/20	Monthly Fee	-5.00	80.25
		Ending Balance	**80.25**

Cleared Checks Check #	Amount
105	19.75

Summary

Previous Balance	*Total Deposits*	*Total Withdr.*	*No. of Checks*	*No. ATM Transactions*	*No. of Deposits*	*Service Charge*	*New Balance*
$200.00	$30	$125	1	1	1	$5.00	$80.25

What is the checking account statement balance (see "New Balance" or "Ending Balance" on the statement)?

____

Does this balance match the balance on your practice check register?

Sample Check Register

Check Number	Date	Description of Transaction	Payment/Debit (-)		Deposit/Credit (+)		Balance	
	2/20	Previous Balance					$200	00
105	2/26	Coffee Mart	19	75			$180	25
	3/12	Withdrawal	100	00			$80	25
	3/19	Deposit			30	00	$110	25
	3/20	Monthly fee	5	00			$105	25

Directions

To reconcile your check register:

1. Compare your check register with the monthly account statement. Put a small check mark (✓) beside each item in your check register that matches an item on your statement.
2. Are there any items that are listed on the monthly account statement that do not appear on the check register? If so, which one(s)? ______________________________
3. Add the missing transactions to your check register below the last transaction.
4. Calculate the balance by adding deposits or subtracting withdrawals from your check register balance.
5. What is the new balance in your check register? ______________________________
6. Does this match the checking account statement balance? ______________________________

Activity 3: Checking Account Reconciliation Form

Follow the directions below to use the checking account reconciliation form to reconcile your check register with your monthly account statement.

Checking Account Monthly Statement

Your Bank 1212 Y Street Somewhere, US 00001	Your Name 4321 Second Street Somewhere, US 00001 Account Number 543685321454

Summary of Account Activity
For period ending 3/20/20XX
Date of last statement 2/20/20XX

Date	Transaction Description	Withdrawal/ Deposit Amount		Balance
2/20	Previous Balance			200.00
2/26	Check #105	-19.75		180.25
3/12	ATM Withdrawal	-100.00		80.25
3/20	Monthly Fee	-5.00		75.25
			Ending Balance	**75.25**
	Cleared Checks Check #	**Amount**		
	105	19.75		

Summary

Previous Balance	*Total Deposits*	*Total Withdr.*	*No. of Checks*	*No. ATM Transactions*	*No. of Deposits*	*Service Charge*	*New Balance*
$200.00	$0	$100	1	1	0	$5.00	$75.25

Check Register

Check Number	Date	Description of Transaction	Payment/Debit (-)		Deposit/Credit (+)		Balance	
	2/20	Opening Balance					$200	00
105	2/26	Coffee Mart	19	75			$180	25
	3/12	Withdrawal	100	00			$80	25
	3/19	Deposit			30	0	$110	25

						0		
	3/19	Deposit			50	0 0	$160	25
	3/20	Monthly fee	5	00			$155	25

Account Reconciliation Form

Step 2 **List and total all outstanding deposits**		**Step 3** **List and total all outstanding withdrawals or debits**	
Date	**Amount**	**Date**	**Amount**
Total		**Total**	

Step 4	
Account balance	
Add outstanding deposits (Step 2)	
Total	
Subtract outstanding withdrawals (Step 3)	
Balance	
*This balance should agree with the balance in your check register.	

Step 1: Compare your check register with the monthly statement. Put a small check mark (✓) beside each item in your check register that matches an item on your statement. *(Note: this was completed in the previous activity.)*

Step 2: Are there any deposits listed in your check register that are not recorded on your account statement? If so, list and total these deposits.

Step 3: Are there any withdrawals listed in your check register that are not recorded on your account statement? If so, list and total these withdrawals or debits.

Step 4: Complete the reconciliation form.

- Enter the account balance listed on the monthly checking account statement.
- Add the total of deposits outstanding from Step 2.
- Calculate the total.

- Subtract the total of withdrawals outstanding from Step 3.
- Calculate the final total or balance.

Does this equal the balance in your check register?

____

Correcting Errors on Your Statement

Call, write, or visit your bank as soon as you find an error on your bank statement. If you call or visit your bank, it is a good idea to follow up by writing a letter. Keep a copy of the letter for your records. The letter should include:

- Your name
- Your account number
- An explanation and dollar amount of the error
- The date the error occurred
- Any conversations (and the outcomes) with bank personnel regarding this error

The bank must receive notice of the error no later than 60 days after the date of the statement.

Overdraft Fees

An *overdraft* occurs when you do not have enough money in your account to cover a transaction. If you have an overdraft program linked to your account, your bank would cover the transaction and charge you an *overdraft fee*—generally around $35. If you do not have an overdraft program linked to your account and you overdraw your account, the bank would decline a payment (or return a check, when applicable). For checks that are returned unpaid, both the bank and the company to be paid may charge you a *non-sufficient funds (NSF)* or *returned item fee*, which could range from $15–50.

Overdrawing your account can be very expensive.

Opt-In Rule for Some Debit Card Transactions

If you have a debit card, the bank will ask you how to handle certain overdrafts generated by:

- ATM withdrawals
- One-time debit card transactions at store point-of-sale (POS) terminals.

If you opt-in to a bank's overdraft program, the bank can charge you a fee – perhaps $30 or more – to process point-of-sale (POS) or ATM transactions that exceed your account balance. Then, overdrafts and the fee will be deducted immediately, in full, from your next deposit. These deductions will lower your account balance and may increase the risk of more overdrafts.

If you do not opt in, the bank will decline your ATM withdrawals and debit card transactions at POS terminals if you do not have enough money in your account to cover the withdrawal or purchase. You will not be charged fees.

Remember, the opt-in rule only applies to ATM and certain debit card transactions. So, even if you do not opt-in to overdraft coverage for certain ATM/POS transactions, the bank may still charge you overdraft fees for other types of transactions, such as for checks or for bills you automatically pay through your debit card every month.

Check Overdrafts: “Bad Checks” and “Bounced Checks”

If you write a check without enough money in your account to cover the check, it is known as writing a *bad check* or *bouncing a check*. Knowingly writing a bad check, or doing so with fraudulent intent, is a crime in every state. Each state has different civil and criminal penalties (e.g., fines and jail time).

If you repeatedly overdraw your account, your bank might close your account and report negative checking account activity to an account verification company (e.g., ChexSystems or TeleCheck). This can make it difficult to cash or write checks and to open an account in the future.

What should you do if a bank turns you away as a customer because of an unfavorable report about your bank account?

- Ask the bank for the name, address, and phone number of the company that furnished the report.
- Request a free copy and look for and correct any incorrect or missing information.

If you dispute the matter in writing and the check reporting company does not change the record to your satisfaction, you are entitled to add a written statement to your report. If you have a concern involving a bank or a check reporting service, contact the appropriate federal regulator or, in the case of check reporting services, the Federal Trade Commission (FTC).

Avoiding Overdraft Fees

Good account management is the best way to protect your hard-earned money. The best way to avoid overdraft fees is to manage your account so you do not overdraw it. You can do this by:

- Keeping track of how much money you have in your checking account by keeping your check register up to date
- Paying special attention to track your electronic transactions (ATM, debit card, and online transactions)
- Remembering to record automatic bill payments and checks you write
- Reviewing your account statements each month and reconciling them with your check register
- Seeing if you can get email or cell phone alerts from your bank when your balance is running low
- Keeping extra funds in your account as a cushion

Sometimes mistakes happen. If you do overdraw your account, deposit money into the account as soon as possible to cover the overdraft amount plus any fees and charges from your bank; and to provide cushion for future purchases or withdrawals. This will avoid more fees.

Bank Overdraft Programs

It can be a good idea to take time to learn what options you have to handle the (hopefully) rare situation when you spend more than you have in your account. Options may include:

- Linking your checking account to your savings account so the overdrawn amount is taken from your savings account. Essentially, you are borrowing from yourself so you do not have to pay interest or high overdraft fees, although you may pay a small funds transfer fee. Remember, if you use money from your savings account to pay everyday expenses, be sure to repay your savings account.

- Linking your savings account to a line of credit. You will pay interest on any balance you carry and you may be charged an annual fee. The sooner you pay off the money you borrow, the less you will pay in interest. Still, this option may be less expensive than traditional fee-based overdraft options.
- Enrolling in an overdraft program for which you either pay a monthly fee or a per-item charge (which could be $35 or more per item). Fees can add up very quickly. If you use these repeatedly, they can become a very expensive form of credit. Also, with many of these programs, the bank does not guarantee you that it will cover any or all overdrafts.

Here is some information to help you compare two major categories of overdraft programs.

	Lines of Credit & Linked Savings Accounts	**Per-Item Overdraft Programs**
How Do I Enroll?	• You must request this.	• You may be automatically enrolled except for certain ATM and POS debit card transactions.
Does the program cover ATM and POS debit card usage?	• Generally, yes; but refer to your account disclosure.	• You must "opt-in" for coverage.
Are There Any Fees?	• Possibly a small transfer fee for linked savings. • Interest plus other potential fees for overdraft lines of credit. • Cash advance fees, plus interest at the cash advance rate, if using a credit card.	• Per-item overdraft fee if the bank honors the transaction. • NSF fee if the bank does not honor the transaction. • Possibly daily fees for every day your balance is negative. • Possible interest.
Do I Have to Have Another Account with the Bank?	• You must have a savings account, overdraft line of credit, or credit card that can cover the overdraft.	• No.
Must the Bank Pay Overdraft Items?	• Yes, if you have sufficient funds in your savings account or available under your line of credit.	• No. Bank is not obligated to pay an overdraft; so, approval of overdraft items is at the bank's discretion.
Potential benefits	• Linking to a savings account or credit line may be the least costly way to handle overdrafts. • Saves the cost of additional charges from returned checks.	• Saves cost and embarrassment of fees from merchant for bad check if bank honors item.
Potential risks?	• Linking to a credit card may result in costly cash advance fees and higher interest rates and a never-ending cycle	• Overdraft fees add up quickly.

	of debt.	

Glossary

Automated Teller Machine (ATM): A computer terminal in which you can deposit cash and checks into your account or withdraw cash from your account 24 hours a day, 7 days a week.

Check: A written contract between you and your bank. When you write a check, you are asking the bank to take money from your account and give it to someone else.

Checking Account: An account that allows you to write checks to pay bills and buy goods. The financial institution will send you a monthly statement that lists the deposits, withdrawals, and purchases you made.

Check Register: A booklet to write down all of your deposits and withdrawals from your account, including any fees and monthly charges.

Debit Card: A card that allows you to deposit cash into and withdraw money from your checking account at many Automated Teller Machines (ATMs), and make purchases at retail locations that accept credit cards (e.g., department stores or gas stations).

Deposit: A transaction in which money is added to your account (e.g., you deposit money, the bank pays you interest, or a check is direct deposited into your account).

Deposit Slip: A slip used to let the teller know how much money you are depositing.

Direct Deposit: An electronic method for transferring and depositing money directly into your account.

Endorsement: The act of signing the back of a check so that you can deposit or cash it.

Electronic Banking: The use of computers to move money to and from your account, instead of using checks and other paper transactions. Electronic banking includes debit card transactions, electronic bill pay, and Automated Teller Machine (ATM) transactions.

Electronic Bill Pay: A service that automatically takes money from your account to pay your bills.

Fees: The amount charged by financial institutions for account activities and services.

Fee Schedule: A bank document that lists the fees you might be charged for certain account activities.

Interest: The extra money in your account that the bank pays you for keeping your money.

Reconciliation: The act of resolving the difference between the statement balance and your check register balance.

Signature Card: A form you complete and sign when you open an account indicating you are the account owner.

Substitute Check: An electronic image of your check that has the same standing as the actual check.

Transaction: A banking activity (e.g., depositing or withdrawing money, using your Automated Teller Machine (ATM) or debit card, or having checks direct-deposited into your account).

Withdrawal: The process of taking money from your bank account.

For Further Information

Federal Deposit Insurance Corporation (FDIC)
www.fdic.gov/consumer
Division of Supervision & Consumer Protection
2345 Grand Boulevard, Suite 1200
Kansas City, Missouri 64108
1-877-ASK-FDIC (275-3342)
Email: consumeralerts@fdic.gov

Visit the FDIC's website for additional information and resources on consumer issues. For example, every issue of the quarterly *FDIC Consumer News* provides practical hints and guidance on how to become a smarter, safer user of financial services. Also, the FDIC's Consumer Response Center is responsible for:

- Investigating all types of consumer complaints about FDIC-supervised institutions
- Responding to consumer inquiries about consumer laws and regulations and banking practices

U.S. Financial Literacy and Education Commission
www.mymoney.gov
1-888-My-Money (696-6639)
MyMoney.gov is the United States (U.S.) Government's website dedicated to teaching all Americans about financial education. Whether you are planning to buy a home, balance your checkbook, or invest in your 401k the resources on MyMoney.gov can help you. Throughout the site you will find important information from federal agencies.

Federal Trade Commission
www.ftc.gov/credit
1-877-FTC-HELP (382-4357)
The FTC website offers practical information on a variety of consumer topics, including privacy, credit, and identity theft. The FTC also provides guidance and information on how to select a credit counselor.

Go Direct
www.GoDirect.org 1-800-333-1795
To quickly and easily sign up for direct deposit of your Social Security or other federal benefit payments, contact Go Direct, a campaign sponsored by the U.S. Department of the Treasury and the Federal Reserve Banks.

Electronic Transfer Account
www.eta-find.gov/ 1-888-382-3311 Generally anyone who receives (or represents someone who receives) one of the following Federal Government payments is eligible to receive his or her monthly payments electronically through an Electronic Transfer Account (ETA): Social Security, Supplemental Security Income (SSI), Veterans Benefits, Civil Service Wage Salary or Retirement Payments, Military Wage Salary or Retirement Payments, Railroad Retirement Board Payments, **or Department of Labor (DOL)/Black Lung.**

Participant Guide

FDIC
Money Smart

FDIC Financial Education Curriculum

Revision Date: 03–2010

Checking In

Welcome

Welcome to the *Money Matters* module! One of the first steps to financial security is planning and following through on a personal spending plan or budget. Budgeting is about choices—choosing how to make money and choosing how to spend money.

Objectives

After completing this module, you will be able to:

- List the steps for setting financial goals
- Track daily spending habits
- Prepare a spending plan to estimate monthly income and expenses
- Identify ways to decrease spending
- Identify ways to increase income
- Identify spending plan tools that will help you manage your bills

Participant Materials

This *Money Matters* Participant Guide contains:

- Information and activities to help you learn the material
- Tools and instructions to complete the activities
- Checklists and tip sheets
- A glossary of the terms used in this module

How to Create a Spending Plan

Setting Financial Goals

Financial goals are specific to what you want to do with your money within a certain time period. Before you create a spending plan, you should complete the following steps to setting financial goals:

1. Identify and write down your financial goals.
2. Organize your financial goals.
3. Educate yourself.
4. Evaluate your progress.

Why Create a Spending Plan?

A good way to start taking control of your financial situation is to develop a personal spending plan. A *spending plan* is a step-by-step plan for meeting expenses in a given period of time.

Following a spending plan:

- Helps you reduce the anxiety of not knowing whether you have enough money to pay your bills when they are due
- Gives you a sense of control over your money, rather than letting money have control over you
- Helps you build assets that will improve the quality of life for you and your family

A spending plan is all about choices—choosing how to use your money. Knowing what your income and expenses are every month will help you take control of your financial situation.

Spending Plan Steps

There are four steps to preparing a spending plan:

1. Keep track of your daily spending
2. Determine your monthly income and expenses
3. Find ways to decrease spending
4. Find ways to increase income

Activity 1: Daily Spending Diary

If you want to be in control of your money, you must understand where your money goes. Use this diary to track your spending over a period of time so that you can see how you are spending your money.

Day	What did I spend my money on today?
Sunday	
Monday	
Tuesday	
Wednesday	
Thursday	
Friday	
Saturday	

Determine Income and Expense

Income is money that comes to you from:

- Wages
- Self-employment income
- Public assistance, which might include Temporary Assistance for Needy Families (TANF) or Food Stamps
- Child support or alimony
- Interest and dividends
- Social Security
- Other sources (e.g., tips)

There are two categories of income: *gross* income and *net* income. *Gross income* is your total income without deductions. *Net income* is gross income minus deductions, such as Social Security and other taxes.

Social Security is a potentially valuable insurance plan. On some pay stubs, it is called FICA, which stands for Federal Insurance Contribution Act. Social Security income includes:

- **Retirement benefits** paid every month to eligible retired workers, as early as age 62
- **Disability benefits** paid every month to eligible workers of all ages who have a severe disability
- **Family benefits** paid every month to spouses and children of eligible retired and disabled workers
- **Survivor benefits** paid every month to the eligible widow or widower and children of a deceased worker
- **Medicare benefits** paid as needed to help with hospital bills and offer limited coverage of stays in skilled nursing facilities, hospice care, and other medical services to people 65 or older and to younger people who are disabled

There are two kinds of expenses: *fixed* and *flexible*.

Fixed expenses do not change from month to month. Typically, you do not have any control over how much you pay. Your rent or mortgage payment is an example of a fixed expense.

Flexible expenses often change from month to month. You may have some degree of control over how much you pay. For example, if you decide to lower your thermostat during the winter to save on heating costs, you will pay less than you did the month before.

Activity 2: Monthly Income and Expense Worksheet

The Monthly Income and Expense Worksheet should be prepared on a monthly basis to help you determine how much money you have coming in, how much is going out, and whether or not you have enough income to pay your bills and expenses each month. Read the scenario below and list the monthly income amounts in the left column and monthly expenses in the right column.

My Income

Wages $ ________

Self-Employment Income $ ________

Public Assistance $ ________

Child Support/Alimony $ ________

Interest/Dividends $ ________

Social Security $ ________

Advance Earned Income Credit $ ________

Other $ ________

Scenario:

<u>Income</u>

A couple receives monthly *net wages*, or take-home pay, in the amount of $3,500.

<u>Expenses</u>

- Rent $1,000
- Credit card and loan payments total $140
- Child care expenses total $400
- Savings total $75
- Telephone bill totals $40
- Food expenses total $400
- Transportation and gasoline costs total $200
- Personal expenses total $150

My Expenses

Fixed Expenses

Rent/Mortgage $ ________

Property Taxes/Insurance $ ________

Trash Collection $ ________

Cable/Satellite $ ________

Telephone/Internet $ ________

Car Payment $ ________

Car Insurance $ ________

Health Insurance $ ________

Other Loan Payments $ ________

Day Care/Elder Care $ ________

Flexible Expenses

Savings $ ________

Water $ ________

Electric $ ________

Gas/Oil $ ________

Cell Phone $ ________

Food $ ________

Transportation/Gas $ ________

Car Maintenance $ ________

Education $ ________

Personal Expenses $ ________

Donations $ ________

Total Income $ ________

Total Expenses $ ________

Tips to Help You Decrease Spending or Save More Money

- Develop and follow a spending plan.
- Carry small amounts of cash to limit your spending.
- Eliminate or control your use of credit cards.
- Avoid shopping “for fun” unless you have strong self-control to only window shop!
- Take your written savings goals as a reminder when shopping.
- Buy only what you need versus what you want.
- Use coupons to save money on items you need.
- Use a grocery shopping list to prevent impulse buying.
- Take your lunch to work instead of eating out.
- Shop around for the best deal on big-ticket items, like cars and appliances.
- Pay your bills on time to avoid late fees, extra finance charges, utilities being turned off, eviction, repossessions, and the costs of a bad credit rating.
- Use direct deposit for your paycheck or federal benefits (e.g., Social Security). You will not have to pay to have your check cashed, or if you have a checking account, the bank may reduce or eliminate the monthly fee if you have direct deposit.

Direct Deposit Myths and Facts

Using direct deposit for your paycheck and state or federal benefits not only saves money; it is also safer and easier than using paper checks. Following are common misconceptions about direct deposit and the corrected facts.

MYTH: Receiving paychecks or benefit payments in the form of a paper check gives you more control over your money because you can deposit it at your bank or credit union when it is convenient for you.
FACT: With direct deposit, your money is immediately accessible, it eliminates the risk of stolen checks and forgeries, and helps protect you from identity theft.

MYTH: Switching to direct deposit is time-consuming and a hassle.
FACT: Enrolling in direct deposit is usually fast and easy. If you receive Social Security or Supplemental Security Income (SSI), call ***Go Direct’s*** toll-free helpline at **1-800-333-1795**, visit www.GoDirect.org, or contact your local bank or credit union to sign up for direct deposit.

MYTH: People who do not have a bank account should not consider direct deposit.
FACT: If you have not yet signed up for an account, call the United States (U.S.) Treasury’s ***Go Direct*** toll-free helpline at **1-800-333-1795** for help finding a financial institution that offers low- or no-cost accounts.

MYTH: If you use direct deposit, you will not know when your money is in your account.
FACT: You can be sure your money is in your account by the time your bank opens on payment day. Paper checks can be lost or stolen.

MYTH: Direct deposit does not really save time because the check still must be mailed to the bank.

FACT: With direct deposit, your payment is electronically transferred to your bank account. The payment process is completely paperless.
MYTH: Direct deposit is not a trustworthy way to receive federal benefit payments.
FACT: Direct deposit is completely reliable. You are 30 times more likely to have a problem with your federal benefit check than with your direct deposit payment.

MYTH: Direct deposit is not as safe as receiving a check because it is sent over the Internet.
FACT: Direct deposit works by transferring funds directly into your account through a highly secure electronic banking system–not the Internet. It is the same system used by the world's leading financial institutions.

MYTH: Direct deposit is expensive.
FACT: Most banks and credit unions do not charge you to sign up for direct deposit. In fact, they may waive your monthly checking account fee if you have direct deposit.

Tax Credits That May Increase Your Income

Besides decreasing your spending and obvious ways to increase your income, like getting a second job, there are other options for increasing your income that you might not have considered, these tax credits include:

- Earned Income Tax Credit (EITC)
- Child tax credit
- Credit for child and dependent care expenses
- Education credits
- Tax credits for retirement savings contributions

The EITC is a refundable federal income tax credit for people who work, but do not earn high incomes. If you qualify, the EITC reduces the amount of tax you owe, and you may receive a refund. You may even be eligible for an advance EITC, which allows you to receive part of the credit in each paycheck during the year.

The following eligibility requirements apply:

- You must have a valid Social Security number.
- You must be between 25 and 65 years of age, unless you have a qualifying child.
- A qualifying child must live with you in the U.S. more than half of the year.
- You must have earned income from wages or self-employment. This does not include alimony, child support, welfare benefits, unemployment benefits, interest, dividends, pensions, and certain workforce payments.
- You cannot file your taxes as "Married Filing Separately."

If you qualify, you must file the Form W-5 with your employer to get the advance EITC. All of the rules and examples can be found in Internal Revenue Service (IRS) Publication 596. Benefits can range from $2 to over $4,500, depending on earned income, number of qualifying children, and other factors. Any refund that you receive as a result of taking the EITC will not be used to determine your eligibility or how much you can receive from the following programs:

- TANF
- Medicaid, Food Stamps, and housing assistance

Child Tax Credit

The Child Tax Credit can lower the amount of income tax you owe and increase any refund you might receive. The benefit can be as high as $1,000 per child. Information is available in IRS Publication 972. The tax credit application form and the IRS Publication are available at: www.irs.gov or by calling the IRS at **1-800-829-3676** or **1-800-829-1040**.

Eligibility requirements are fully explained in IRS Publication 972, or in the Form 1040 or 1040A Instructions, and include the following:

- The child must be 17 years of age or younger by the end of the tax year.
- The child must be a U.S. citizen, resident, or national.

Credit for Child and Dependent Care Expenses

If you pay someone to care for your child who is under the age of 13, for your spouse, or for another dependent who is not able to care for him or herself, you may be eligible for a tax credit. The tax credit can lower the amount of income tax you owe and increase any refund you might receive. To qualify, you must pay the child or dependent care expenses so you can work or look for work. There are other requirements. Information is available in IRS Publication 503 or in the Form 1040 or 1040A Instructions. The tax credit application form and the IRS Publication are available at www.irs.gov or by calling the IRS at **1-800-829-3676** or **1-800-829-1040**.

Education Credits

If you are saving for or paying education costs for yourself or another student to attend a college, university, vocational school, or other postsecondary education institution, then you may be eligible for a tax credit. The amount of credit you can take depends on your filing status, your adjusted gross income, and your eligible expenses. Information is available in IRS Publication 970. The tax credit application form and the IRS Publication are available at www.irs.gov or by calling the IRS at **1-800-829-3676** or **1-800-829-1040**.

Credit for Retirement Savings Contributions

If you make eligible contributions to an employer-sponsored retirement plan or to an individual retirement arrangement or individual retirement account (IRA), you may be eligible for a tax credit. The amount of credit you can take depends on your filing status, your adjusted gross income, and your eligible contributions. To claim the credit, complete IRS Form 8880 and submit it with your federal income tax form. A copy of the tax credit application form is available at www.irs.gov or by calling the IRS at **1-800-829-3676** or **1-800-829-1040**.

Free Income Tax Preparation Assistance

The IRS-sponsored Volunteer Income Tax Assistance (VITA) program and Tax Counseling for the Elderly (TCE) program provide free basic income tax return preparation to individuals with low to moderate incomes, individuals with disabilities, non-English-speaking taxpayers, and the elderly. In addition to free assistance, many sites offer free electronic filing (e-filing). During the tax season, VITA and TCE sites are located at libraries, churches, community centers, shopping malls, and retirement homes.

To take advantage of these volunteer assistance programs, bring the following information when you visit a VITA or TCE site:

- Photo identification
- Social Security cards or Individual Taxpayer Identification cards for you, your spouse, and your dependents (if applicable)
- Birth dates for you, your spouse, and your dependents (if applicable)
- Wage and earning statement(s) Form W-2, W-2G, 1099-R from each employer
- Interest and dividend statements from banks (Forms 1099)
- Other relevant information about income and expenses
- If claiming day care expenses, total amount paid and day care provider's tax identification number
- A copy of last year's tax return (if available)
- Bank account number and routing number for direct deposit
- All other information relating to this year's return

To obtain the location, dates, and hours of the volunteer site closest to you, call the IRS toll-free Tax Help Line for Individuals at **1-800-829-1040**. The Association for the Advancement of Retired Persons (AARP) provides free tax assistance to elderly taxpayers. For AARP sites, call
1-888-AARPNOW (227-7669).

Remember, you must provide accurate information when applying for these benefits. Tax fraud is a serious offense.

Activity 3: Monthly Payment Schedule

The monthly payment schedule helps you plan when you will pay your bills and when you will receive income to pay those bills. Transfer the income sources and amounts from the Income and Expense Worksheet. Record the date the income amount is expected. Transfer the expenses, including the due date and amount, into the appropriate columns.

Month: April

Income	Expenses/Bills	Date Income Received or Expense Due Date	Amount	Date Paid
Wages*		3/20	$1,050	
Wages*		3/27	$700	

* Note: Wages from previous month are included to reflect income used for expenses due at the first of the month.

Activity 4: Monthly Payment Calendar

This spending plan tool will help you carry out your personal spending plan. Transfer your expenses to the dates they are due on the calendar below. Use one color ink for income and a different color for expenses. Check off each bill as it is paid.

April						
Sunday	**Monday**	**Tuesday**	**Wednesday**	**Thursday**	**Friday**	**Saturday**
1	2 **$25 savings**	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

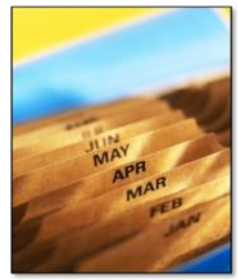
Other Spending Plan Tools

There are other spending plan tools that you can use to help you carry out your budget. Select one that you are most comfortable with using.

Expense Envelope System

- This tool is useful if you pay your bills in cash each month.
- Make an envelope for each expense category, such as rent, gas, electricity, and food.
- Label the envelope with the name of the category, the amount, and the due date.
- When you receive income, divide it into the amounts to cover the expenses listed on the envelope.
- Pay bills right away so you will not be tempted to spend the money on something else.

Budget Box System



- The *budget box* is a small box with dividers for each month, with one divider for each day of the month.
- When you receive a bill, check the due date and place it behind the divider that represents the bill's due date.
- As you receive income, pay your bills right away so you will not be tempted to spend your money on something else instead.

Computer System

- If you have access to a personal computer, you can create your own spreadsheet. Put your income in the first column, the income date in the second, expenses in a third column, and a space under the expense column for your total expenses. Include a space to show income—expenses. Use the help function of your spreadsheet software for instructions if you do not know how to use a spreadsheet.
- You may also want to purchase a personal finance program. They are available for less than $75.
- Using a computer to manage your finances is relatively simple. Once you set up the system, updating information is quick and easy. It is important to enter transactions frequently to truly understand your financial position.

Spending Considerations

Paying Your Loans

If you can pay your monthly household expenses but are having trouble paying all of your loans, consider:

- **Paying off the loan with the highest interest rate first to save on interest payments.**
- **Talking to your creditors.** Your creditor may be willing to reduce your payments or change the terms to accommodate your situation. Some creditors might offer extensions, accept smaller payments over a longer period of time, or accept partial payments.
- **Getting credit counseling.** If you are not disciplined enough to create a workable spending plan and stick to it, cannot work out a repayment plan with your creditors, or cannot keep track of mounting bills, you might contact a reputable credit counseling organization. Many credit counseling organizations are nonprofit and work with you to solve your financial problems.
    - Reputable credit counseling organizations can advise you on managing your money and debts, help you develop a spending plan, and offer free educational materials and workshops. Their counselors are certified and trained in the areas of consumer credit, money and debt management, and budgeting.
    - Counselors discuss your entire financial situation with you and help you develop a personalized plan to solve your money problems. An initial counseling session typically lasts an hour, with an offer of follow-up sessions.
- **Declaring bankruptcy.** This is a last resort. Bankruptcy is a legal proceeding that adjusts the debts of individuals who cannot meet their credit obligations. Bankruptcy:
    - Eliminates most debts; however, certain back taxes, child support, alimony, and student loans must still be paid
    - May force you to pay higher credit rates and receive less favorable terms on loans in the future
    - May make it difficult to get a mortgage, open a bank account, buy life insurance, and get a job because creditors and employers can run a credit check to determine your history of past financial commitments
    - Is very serious and stays on your credit report for 10 years; use it as a last resort

A new law requires you to get credit counseling before you can file for bankruptcy. Credit reports, bankruptcies, and credit counseling are covered in the *To Your Credit* module.

Activity 5: Spending Plan Considerations

The purpose of this exercise is to give you an opportunity to practice making budgeting decisions when you have more expenses than income. Read the scenario carefully. Answer the questions. Be prepared to explain your answers.

Scenario

The Clarks hold off on paying their credit card bills until the end of the month because they know they do not have enough money to cover what they owe. They have five credit cards. Three of them have an interest rate of 24 percent. The other two cards have an interest rate of 13 percent. Two of the high interest rate cards and one of the lower interest rate cards are 15 days past the due date.

Looking over the credit card bills, Mr. Clark is amazed to see that his wife spent $200 last month on shoes. She is amazed to see that he bought yet another power tool and spent $385 for it. "No wonder we have no money!" each says to the other.

When reviewing the bills, Mr. Clark confesses that he stops for coffee on his way to work every morning and eats out for lunch. Mrs. Clark admits that she gets a pedicure and manicure twice a month.

By the time the Clarks pay their rent, utilities, car payment, and grocery bill, they do not have enough money to make the minimum payment on three of their five credit cards.

What has caused these financial problems for the Clarks?

____

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____

What can they do to resolve their problems?

____

____

____

____

Glossary

Fixed Expenses: Expenses with amounts that do not change from month to month.

Flexible Expenses: Expenses with amounts that often change from month to month.

Gross Income: Total income without deductions.

Net Income: Gross income minus deductions such as Social Security and other taxes.

Spending Plan: A step-by-step plan for meeting expenses in a given period of time.

1. Keep track of your daily spending
2. Determine what your monthly income and expenses are the month before they are due
3. Find ways to decrease spending
4. Find ways to increase income

For Further Information

Federal Deposit Insurance Corporation (FDIC)
www.fdic.gov/consumer
Division of Supervision & Consumer Protection
2345 Grand Boulevard, Suite 1200
Kansas City, Missouri 64108
1-877-ASK-FDIC (275-3342)
Email: consumeralerts@fdic.gov

Visit the FDIC's website for additional information and resources on consumer issues. For example, every issue of the quarterly *FDIC Consumer News* provides practical hints and guidance on how to become a smarter, safer user of financial services. Also, the FDIC's Consumer Response Center is responsible for:

- Investigating all types of consumer complaints about FDIC-supervised institutions
- Responding to consumer inquiries about consumer laws and regulations and banking practices

U.S. Financial Literacy and Education Commission
www.mymoney.gov
1-888-My-Money (696-6639)
MyMoney.gov is the U.S. Government's website dedicated to teaching all Americans about financial education. Whether you are planning to buy a home, balance your checkbook, or invest in your 401k, the resources on MyMoney.gov can help you. Throughout the site, you will find important information from federal agencies.

Federal Trade Commission
www.ftc.gov/credit
1-877-FTC-HELP (382-4357)
The Federal Trade Commission (FTC) website offers practical information on a variety of consumer topics, including privacy, credit, and identity theft. The FTC also provides guidance and information on how to select a credit counselor.

Participant Guide

FDIC

Money Smart

FDIC Financial Education Curriculum

Pay Yourself First

Revision Date: 03–2010

Checking In

Welcome

Welcome to *Pay Yourself First*! Saving money is an important part of building your financial future. This module will give you some tips to help you get started. It will also show you how your money can grow when you save and give you some important information about saving and investment products.

Objectives

After completing this module, you will be able to:

- Explain why it is important to save
- Determine goals for saving money
- Identify savings options
- Determine which savings options will help you reach your savings goals
- Recognize which investment options are right for you
- List ways to save for retirement
- List ways to save for large expense goals, including: a child's college tuition, a car or home purchase, or a vacation

Student Materials

This *Pay Yourself First* Participant Guide contains:

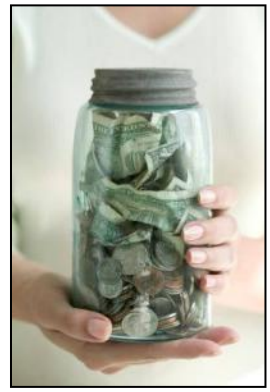
- Information and activities to help you learn the material
- Tools and instructions to complete the activities
- Checklists and tip sheets
- A glossary of the terms used in this module

The Meaning and Benefits of “Pay Yourself First”

Paying yourself first means that when you get a paycheck, tax refund, cash gift, or other money, you should put some of that money in a savings account before you pay your bills.

There are many reasons to pay yourself first. You can:

- Save money toward goals you have identified
- Improve your standard of living
- Learn to manage money better
- Have money for emergencies



Some major expenses people save for include:

- Unexpected events (e.g., loss of a job, car repair, or unexpected medical bills)
- Down payment for a house, a car, or other large purchase
- Education
- Retirement
- Vacation

Activity 1: Pay Yourself First Worksheet

Think about and write down any savings goals you have and the amount you need to save.

1. My savings goals:

- ____
- ____
- ____
- ____

Write down some ways to save money for the goals you identify.

2. Strategies to save for my goals:

- ____
- ____
- ____
- ____
- ____

Savings Tips

1. Consider needs versus wants. Think about the items you purchase on a regular basis. These add up. Where can you save?
   - Do you eat out at restaurants a lot?
   - Can you cut back on daily expenses (e.g., coffee, candy, soda, or cigarettes)?
   - Do you have services you do not really need (e.g., cable television)?
2. Use direct deposit or automatic transfer to savings.
   - When you get paid, put a portion in savings through direct deposit or automatic transfer.
   - If you have a checking account, you may sign up to have money moved into your savings account every month. What you do not see you do not miss!
   - You may purchase United States (U.S.) Savings Bonds through payroll deduction.
3. Pay your bills on time. This saves the added expense of:
   - Late fees
   - Extra finance charges
   - Disconnection fees for utilities (e.g., phone or electricity)
   - Fees to reestablish connection if your service is disconnected
   - The cost of eviction
   - Repossession
4. Consider opening a checking account at a bank or credit union instead of using check-cashing stores. You might pay 2 percent or more of each check you cash. Two percent of a $500 check is $10. This can easily add up to several hundred dollars in fees every year. If you would like more information about checking accounts, you can take the *Check It Out* module.
5. Put some money into a savings account if you get a raise or bonus from your employer.
6. Keep making the monthly payments to yourself once you have paid off a loan. You can save or invest the money for your future goals.
7. Save at least part of any cash gift you receive.
8. Avoid debt that does not help build long-term financial security, including: loans for a vacation, clothing, and dinners out in restaurants. Examples of debt that helps build long-term financial security include:
   - Paying for college education (for you or your child)
   - Buying or remodeling a house
   - Buying a car for work transportation
9. Pay off high-interest credit cards or other loans as soon as you can.
10. Save your change at the end of the day and deposit it weekly or monthly.
11. Save as much of your tax refund as possible. Choose to receive your tax refund via direct deposit. You can split it between a maximum of three different accounts (e.g., checking and/or savings accounts). You can also choose to use part of your refund to purchase a U.S. Savings Bond.
12. Join a retirement plan (i.e., a 401(k) or 403(b) plan) if your employer offers one and deducts the money from your paycheck! Most employers will match up to $.50 of each dollar you contribute. The matched amount is free money!

13. Do your homework if you decide to purchase investments. Know what you are investing in and get professional advice if you need it. You should have at least two to six months of emergency cash savings before you begin investing in investment products that are not federally insured.
14. Reinvest the dividends of any stocks you own to purchase more stocks. Some companies offer an easy way to do this called a Dividend Reinvestment Program (DRIP). This process grows your investment faster, similar to compounding.
15. Join an investment club if you are interested in learning about investing. Investment clubs are groups of people who work together to understand the process and value of investing even small amounts of money (as little as $5 to $10).

How Your Money Can Grow

Making regular payments to yourself, even in small amounts, can add up over time. The amount your money grows depends on the interest earned and the amount of time you leave it in the account.

Interest and Compound Interest

Interest is an amount of money banks or other financial institutions pay you for keeping money on deposit with them. Interest is expressed as a percentage and is calculated based on the amount of money in your account.

Compounding is how your money can grow when you keep it in a financial institution that pays interest. When the bank compounds the interest in your account, you earn money on the previously paid interest, in addition to the money in your account. Not all savings accounts are created equal. This is because interest can be compounded daily, monthly, or annually.

Annual Versus Daily Compounding

Annual Compounding	Daily Compounding
• Start with $1,000 at 1% compounded annually. • At the end of the first day, you still have $1,000. • At the end of the year, you have $1,010.00 – $10, or 1% of $1,000 is added to the original deposit.	• Start with $1,000 at 1% compounded daily. • At the end of the first day, you have $1,000.03. • On the second day, add the interest earned, $.03, and compound the total amount – $1,000.03… • At the end of the year, you have $1,010.05 from compounding each day's interest rate added to $1,000.
Total: $1,010.00	**Total: $1,010.05**

Compound Interest Over Time

	5 years	10 years
Mattress compounding—NO interest!	$1,000 (unless stolen or lost)	$1,000 (unless stolen or lost)
Annual compounding at 1%	$1,051.01	$1,104.62
Monthly compounding at 1%	$1,051.25	$1,105.12
Daily compounding at 1%	$1,051.27	$1,105.17

Daily Savings

Saving 50 cents a day:

	No interest	**2% Daily Compounding**
Year 1	$182	$184
Year 5	$912	$957
Year 10	$1,820	$2,014
Year 30	$5,460	$7,480

Saving $1 a day:

	No interest	**2% Daily Compounding**
Year 1	$365	$368
Year 5	$1,825	$1,914
Year 10	$3,650	$4,029
Year 30	$10,950	$14,960

Saving $5 a day:

	No interest	**2% Daily Compounding**
Year 1	$1,825	$1,838
Year 5	$9,125	$9,569
Year 10	$18,250	$20,144

Year 30	$54,750	$74,798

Annual Percentage Yield (APY)

APY reflects the amount of interest you will earn on a yearly basis. It is expressed as a percentage.

- The APY includes the effect of compounding. The more often your money compounds, the higher the APY and the more interest you will receive.
- When comparing different accounts, you should compare the APYs of the savings products, not the interest rates.
- Please note that the interest you earn is considered income, and you may have to pay taxes on it.

Saving Options

There are two basic ways to save money. You can open a savings account or you can invest your money. An important difference between the two is that savings accounts are federally insured and investments are not.

With a savings account, you make money by earning interest. The bank pays you interest for the opportunity to use your money. A savings account also ensures that your money is safe and that you have easy access to it.

The Federal Deposit Insurance Corporation (FDIC) insures your money in insured financial institutions up to the maximum allowed by law. The National Credit Union Administration (NCUA) insures your money at insured credit unions. This means that if your financial institution goes out of business and cannot pay you your money, the FDIC or NCUA will make sure that you receive it up to the insurance limit.

The FDIC has an online tool called **Electronic Deposit Insurance Estimator (EDIE)**. It lets you calculate the insurance coverage of your accounts at each FDIC-insured institution. You can find EDIE online at www.myfdicinsurance.gov.

Savings Products

There are three savings products available at most banks:

- Money Market Account
- Certificate of Deposit (CD)
- Statement Savings Account

Individual Development Account (IDA)

IDAs are matched savings accounts. When an account is matched, it means another organization (e.g., a foundation, corporation, or government entity) agrees to add money to your account to match the money you save in it.

Organizations will match the money people save in IDAs to encourage low-income families to save money on a regular basis. IDAs are based on the concept that asset building is necessary to break the cycle of poverty, and to help families become financially independent. *Asset building* refers to people purchasing or holding items that will help them financially in the future. Organizations involved in IDA programs want to help low-income families become self sufficient.

How can I use IDAs?

If you open an IDA, the money must be used for a specific purpose. Allowable purposes may include:

- Job training
- College education
- Small business start-up
- Purchasing a home

There are a few programs that allow you to save for other purposes. However, most programs will only offer accounts for the purposes listed above, because they are likely to increase your future financial security.

How do IDAs work?

Each IDA program is a little different, so you must ask the person who runs the program in your area about the details. However, all IDA programs have many similar features.

IDA programs are generally run by local community-based organizations. They help to recruit eligible people into the program and usually organize the required training sessions for the participants. Most IDA programs require that the participants take a certain number of financial education courses. Your reward for saving is the education you receive throughout the program, and the money that is added to your account at the end of the program.

How can I open an IDA?

IDA programs may not be available in every community. If you are interested, you can:

- Check the following website to search for programs by state: www.idanetwork.org.
- Ask local Community Action Agencies, other community groups, and bankers if they know of any programs in the area.

Electronic Transfer Account (ETA)

An *ETA* is a low-cost account that provides federal payment recipients with the opportunity to receive their federal payments through direct deposit. The ETA is offered only through federally insured banks, thrifts, and credit unions.

Who is qualified to open an ETA?

Anyone who receives any of the following federal payments can take advantage of an ETA:

- Social Security
- Supplemental Security Income (SSI)
- Veterans' benefits
- Federal employee salary or retirement
- Railroad retirement payments

How does an ETA work?

The ETA is a voluntary program for both the consumer and the financial institution. Banks, thrifts, and credit unions that partner with the U.S. Treasury to provide the ETA offer an account that features:

- A monthly fee of $3 or less
- At least four cash withdrawals and four balance inquiries per month at no additional charge
- No minimum balance, except as required by state law
- Debit cards are offered by many institutions
- Monthly statements
- The same consumer protections as other account holders

Some banks may offer more or better services for their ETA program. For example, you might have the option of depositing other types of payments into the ETA account. Some institutions may also pay interest.

How can I open an ETA?

You can find participating financial institutions in your area by accessing the website www.eta-find.gov or calling **1-888-382-3311**. Participating banks and credit unions must open an account for you regardless of your credit history, unless you have previously held an ETA that was closed because of fraud.

How to Create a Savings Action Plan

You need to consider three decision factors when selecting the best savings and investment options.

1. How much money do you want to accumulate over a certain period of time?

Once you determine the amount you want to accumulate, you may be able to use the Rule of 72 to determine the time and interest rate needed to double your savings. Remember, this formula only works with fixed interest rates.

2. How long can you leave your money invested?

If you have some money that you will not need for several years, you might consider investment options, including: stocks, bonds, or mutual funds. On the other hand, if you think you will need access to the money, it might be best to keep it in a savings account.

3. How do you feel about risking your money?

If you are not comfortable with risk and cannot afford to lose the money, consider depositing your money in an insured financial institution. You will need to shop around for the account that best meets your needs.

Activity 2: Pay Yourself First Action Plan

The top half of the plan gives you space to record factors that may affect the steps you take to save, and the savings or investment products you use to save. The bottom half of the plan gives you space to record the actions you plan to take now, a month from now, and a year from now in order to reach your savings goals.

Decision Factors

How much do I want to accumulate over a certain period of time?

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How long can I leave my money invested?

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How do I feel about risking my money?

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Action Plan

What will I do now to save toward my goals?

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What will I do by the end of the month to save toward my goals?

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What will I do by the end of the year to save toward my goals?

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Glossary

401(k) Plan: A retirement savings plan established by an employer in which employees set aside a percentage of pay in an account that earns interest.

403(b) Plan: A retirement savings plan similar to a 401(k), but exclusively for employees of public schools and certain tax-exempt organizations.

529 College Savings Plan: An education savings plan operated by a state or educational institution. It is designed to help families set aside funds to pay for future college costs.

Annual Percentage Yield (APY): The amount of interest you will earn on a yearly basis. It is expressed as a percentage.

Bonds: Loans to corporations or to the government for a certain period of time, called a *term*. You earn interest on your loan investment, and at the end of the term, your bond matures and can be repaid to you by the company.

Certificate of Deposit (CD): An account in which you leave your money for a set term (e.g., six months or one, two, or five years). You cannot make deposits or withdrawals to the account during this term.

Compounding: Interest paid on money that is invested, allowing the initial investment to increase over time.

Corporate bonds: Loans to corporations for a certain period of time, called a *term*.

Diversification: When you spread the risk of loss over a variety of savings and investment options.

EE Bond: EE is a type of bond that is normally purchased at half its face value and must be held for at least one year before being cashed.

Electronic Transfer Account (ETA): A low-cost savings account that provides federal payment recipients with the opportunity to receive their federal payments through direct deposit.

Equity: The difference between how much your house is worth and how much you owe on your mortgage.

I Bond: A type of bond purchased at face value, which is the amount printed on the bond and must be held for at least one year before being cashed.

Individual Development Account (IDA): A matched savings account in which another organization (e.g., a foundation, corporation, or government entity) agrees to add money to your account to match the money you save in it.

Interest: An amount of money banks or other financial institutions pay you for keeping money on deposit with them.

Investment: A long-term savings option that you purchase for future income or financial benefit.

Money Market Account: An account that usually pays a higher rate of interest, and it usually requires a higher minimum balance to earn interest than a regular savings account does. You can make deposits and withdrawals.

Mutual Fund: A professionally managed collection of money from a group of investors. A mutual fund manager invests your money in some combination of various stocks, bonds, and other products.

Payroll Deduction Individual Retirement Arrangements (IRA): An employee establishes an IRA (traditional or Roth IRA) with a financial institution and authorizes a payroll deduction for the IRA.

Retirement Investments: Money you invest over a long period of time so that you will have money to live on when you are no longer working.

Roth Individual Retirement Arrangements (IRAs): Contributions to a Roth IRA are not tax deductible while contributions to a traditional IRA may be deductible. The distributions (including earnings) from a Roth IRA are not included in income.

Rule of 72: A formula that lets you estimate how long it will take for your savings to double in value given a particular interest rate. This calculation assumes that the interest rate remains the same over time.

Statement Savings Account: An account that earns interest. You will usually receive a quarterly statement that lists all your transactions–withdrawals, deposits, fees, and interest earned.

Stocks: Parts of a company, called *shares*. If the company does well, you might receive periodic dividends based on the number of shares you own. Dividends are part of a company's profits that it gives back to you, the shareholder.

Traditional Individual Retirement Arrangements (IRAs): Contributions to a traditional IRA may be tax deductible, based on the amount of your contribution and your income. The earnings on the amounts in your IRA are not taxed until they are distributed.

Treasury Inflation-Protected Securities (TIPS): Provides protection against inflation, and the interest rate is tied to the Consumer Price Index.

U.S. Savings Bonds: A long-term investment option backed by the full faith and credit of the U.S. Government. Savings bonds can be purchased at a financial institution for as little as $25 or through payroll deductions.

U.S. Treasury Securities: Loans to the U.S. Government for a certain period of time, called a *term*. Treasury securities are backed by the full faith and credit of the U.S. Government and include Treasury bills (T-bills), notes (T-notes), and bonds (T-bonds).

Variable Annuity: An insurance contract that invests your premium in various mutual fund-like investments.

For Further Information

Federal Deposit Insurance Corporation (FDIC)
www.fdic.gov/consumer
Division of Supervision & Consumer Protection
2345 Grand Boulevard, Suite 1200
Kansas City, Missouri 64108
1-877-ASK-FDIC (275-3342)
Email: consumeralerts@fdic.gov

Visit the FDIC's website for additional information and resources on consumer issues. For example, every issue of the quarterly *FDIC Consumer News* provides practical hints and guidance on how to become a smarter, safer user of financial services. Also, the FDIC's Consumer Response Center is responsible for:

- Investigating all types of consumer complaints about FDIC-supervised institutions
- Responding to consumer inquiries about consumer laws and regulations and banking practices

U.S. Financial Literacy and Education Commission
www.mymoney.gov
1-888-My-Money (696-6639)
MyMoney.gov is the U.S. Government's website dedicated to teaching all Americans about financial education. Whether you are planning to buy a home, balance your checkbook, or invest in your 401k, the resources on MyMoney.gov can help you. Throughout the site, you will find important information from federal agencies.

Federal Trade Commission
www.ftc.gov/credit
1-877-FTC-HELP (382-4357)
The Federal Trade Commission (FTC) website offers practical information on a variety of consumer topics, including credit and identity theft. The FTC also provides guidance and information on how to select a credit counselor.