PFL Academy

Teacher Guide: Chapter 3.1 — Understanding Financial Service Providers

OVERVIEW

TIME	MATERIALS	PREREQUISITES
45-50 Minutes	Student Activity Packet	None

LESSON FLOW

5 min — **THE CHALLENGE**

- Read Maria's scenario aloud or have students read silently.
- Discussion: "Have you or your family ever compared banks or credit unions? What did you consider?"

10 min — **CORE CONCEPTS**

- Review the 5 key terms. Emphasize the for-profit vs. not-for-profit distinction.
- Read the Background paragraph together.
- Quick check: Ask students to name one financial service provider they or their family uses.

25-30 min — **APPLY IT**

- **Part A (10 min):** Individual work. Circulate to check reasoning on provider matching.
- **Part B (10 min):** Bank vs. Credit Union calculations. Walk through first calculation as a class.
- **Part C (5-10 min):** Personal reflection. Encourage realistic assessment of current needs.

10 min — **CHECK YOUR UNDERSTANDING**

- Complete in class or assign as homework.
- Review Q3 (Calculation) and Q5 (Reflection) to assess understanding.

DIFFERENTIATION

Support

- Pre-teach vocabulary (FDIC, APY) before starting.
- Walk through the first fee calculation ($12 × 12) on the board.
- Pair students for Part A scenarios.
- Provide a glossary of financial terms.

Extension

- Research actual rates at local banks and credit unions.
- Calculate the 5-year impact of choosing different providers.
- Create a presentation comparing online-only banks to traditional banks.

ANSWER KEY

Part A: Provider Matching

1. Credit Union or Mortgage Company. Both often offer better rates than traditional banks. Mortgage companies specialize in home loans; credit unions typically have lower rates due to not-for-profit structure.

2. Investment Firm. They specialize in managing investments and can provide professional guidance for stock market investing and retirement planning.

3. Insurance Company. They provide homeowner's insurance policies to protect against property damage, theft, and liability.

Part B: Bank vs. Credit Union Comparison

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Annual Fees:
• National Bank: $12 × 12 = $144
• Credit Union: $0 × 12 = $0
• Online Bank: $0 × 12 = $0

Interest on $5,000 Savings:
• National Bank: $5,000 × 0.0001 = $0.50
• Credit Union: $5,000 × 0.005 = $25.00
• Online Bank: $5,000 × 0.015 = $75.00
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4. Credit Union saves: ($144 - $0) + ($25.00 - $0.50) = **$168.50 per year**

5. Accept any two: (1) Larger ATM network, (2) More branch locations, (3) Better mobile/online banking, (4) Specialized business services, (5) Established relationship.

6. Credit unions have membership requirements based on location, employer, or group affiliation. Not everyone qualifies to join every credit union.

Part C: Personal Application

Responses will vary. Look for: realistic assessment of current needs (checking for deposits, savings for emergency fund), appropriate provider choice with justification, and thoughtful consideration of future needs (car loans, investment accounts, mortgage).

Check Your Understanding

1. B (Banks are for-profit; credit unions are member-owned cooperatives)

2. Credit unions are not-for-profit, so they return profits to members through better rates and lower fees rather than paying shareholders.

3. Bank: $10,000 × 0.0005 = $5. Credit Union: $10,000 × 0.0075 = $75. Difference: **$70 more per year.**

4. Specialized business services: business checking, credit card processing, business loans, payroll services, multiple employee accounts, integrated business banking tools.

5. *Reflection should include consideration of fees, convenience, interest rates, and practical research methods like comparing websites or asking family members.*

COMMON MISCONCEPTIONS

Misconception	Clarification
"Credit unions are less safe than banks."	Both have federal deposit insurance up to $250,000 (FDIC for banks, NCUA for credit unions).

"Online banks aren't real banks."	Online banks are FDIC-insured and offer the same protections as traditional banks, often with better rates due to lower overhead costs.
"You should use one provider for all financial needs."	Different providers specialize in different services. It's often beneficial to use multiple providers based on your specific needs.