THE CHALLENGE

Maria recently graduated from college and started her first job. She needs a checking account with no monthly fees and no minimum balance requirements. After researching options, she found significant differences between banks and credit unions in terms of fees, interest rates, and services offered.

How can understanding the differences between financial service providers help Maria and you make better decisions about where to keep your money?

Learning Objectives

- Identify different types of financial service providers and their primary functions.
- Compare and contrast banks versus credit unions.
- Evaluate which financial service providers best suit different financial needs.

CORE CONCEPTS

Term	Definition
Bank	A for-profit financial institution that accepts deposits, offers checking and savings accounts, provides loans, and other financial services.
Credit Union	A not-for-profit cooperative financial institution owned by its members, offering similar services to banks often with lower fees.
Insurance Company	A company that provides policies to protect against financial loss from unforeseen events like accidents or illness.
Investment Firm	A company that manages investment portfolios to help clients grow wealth through securities like stocks and bonds.
FDIC/NCUA Insurance	Government-backed insurance protecting deposits up to $250,000 at banks (FDIC) or credit unions (NCUA).

Background: Financial service providers are institutions that offer different ways to manage, save, and grow your money. Understanding the role each provider plays helps you make informed decisions about where to keep your money, how to protect your assets, and how to plan for future financial goals. Choosing the right provider can significantly impact your financial health through fees saved, interest earned, and services received.

APPLY IT

PART A: PROVIDER MATCHING

For each financial scenario, identify which type of financial service provider would be most appropriate and explain why.

Scenario 1: Sarah's Home Purchase

Sarah wants to buy her first home and needs a loan with the best possible interest rate. She has good credit and has saved for a down payment.

Best provider type: ______________________ (Bank / Credit Union / Mortgage Company)

Because: ______________________

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Scenario 2: Michael's Retirement Savings

Michael wants to start saving for retirement and hopes to invest in the stock market. He has $5,000 to begin investing and wants professional guidance.

Best provider type: ______________________ (Bank / Investment Firm / Insurance Company)

Because: ______________________

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Scenario 3: The Garcia Family's Protection

The Garcia family wants to protect their home and belongings from potential damage due to fire, theft, or natural disasters.

Best provider type: ______________________ (Bank / Insurance Company / Credit Union)

Because: ______________________

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Hint: *Consider each provider's primary function. Banks and credit unions focus on deposits and loans. Investment firms help grow wealth. Insurance companies protect against financial loss.*

PART B: BANK VS. CREDIT UNION COMPARISON

Compare the costs and benefits of banking at different institutions. Complete the calculations.

Feature	National Bank	Credit Union	Online Bank
Monthly Fee	$12	$0	$0

Savings APY	0.01%	0.50%	1.50%
ATM Network	Large	Medium	Reimburses fees
Annual Fees (×12)			
Interest on $5,000 Savings			

4. How much would Jamal save annually by choosing a credit union over the national bank (considering both fees and interest on $5,000)?

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5. Why might someone still choose a national bank despite higher fees? List two possible reasons.

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______

6. What factor might limit someone's ability to join a credit union?

______

PART C: PERSONAL APPLICATION

7. Think about your current financial needs. Which type of financial service provider would be most useful for you right now? Why?

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Provider type: ______ (Bank / Credit Union / Online Bank / Other)

8. How might your financial service provider needs change in 5-10 years? List two services you might need in the future that you don't need now.

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CHECK YOUR UNDERSTANDING

1. What is the main difference between a bank and a credit union?

- ☐ A. Banks are insured; credit unions are not
- ☐ B. Banks are for-profit; credit unions are member-owned cooperatives
- ☐ C. Credit unions offer more services than banks
- ☐ D. Banks have no fees; credit unions charge high fees

2. Explain why credit unions typically offer better interest rates on savings accounts than traditional banks.

3. Calculation: Lena has $10,000 in savings. If a bank offers 0.05% APY and a credit union offers 0.75% APY, how much more interest would she earn at the credit union in one year?

Show your work:

Answer: $____________ more per year

4. James started a small business and chose a large national bank. What specific business services might have influenced his decision?

5. Reflection: Imagine you just received your first paycheck from a part-time job. What factors would be most important to you when choosing where to open your first bank account? How would you research your options?