WORKSHOP 10

Savings Accounts

The most common type of bank account, and probably the first account you'll ever have, is a savings account. Savings accounts allow you to keep your money in a safe place while it earns a small amount of interest each month. These accounts usually require a low minimum balance ($25), although some may require no minimum balance at all. This depends on the bank and the type of account.

Besides the fact that you will be less likely to spend it, putting your money in a savings account is a safer option because it is *insured.* In addition to insurance, banks and credit unions keep your money in a locked and fireproof safe.

Banks insure your money (up to $100,000) through the **Federal Deposit Insurance Corporation (FDIC).** This means that even if the bank goes out of business (which is very rare), your money will still be there. The FDIC is an independent agency of the federal government that was created in 1933 after the bank failures of the 1920s and early 1930s. Not a single person has lost money in a bank that was insured by the FDIC since then. Similarly, the National Credit Union Administration (NCUA) insures credit union accounts up to $250,000.

When you put your money into a savings account, it earns interest. **Interest** is money the bank pays you so that they can use your money to provide loans for other people. This does not mean you cannot have your money whenever you want it, it is simply how banks make money and how they are able to fund their loans.

It works like this:

1. You open a savings account at the bank.
2. The bank pays you interest on the money that you deposit and leave in that account.
3. The bank then loans that money out to other people, charging a slightly higher interest rate on the loan than what they pay you for your savings account.
4. The difference in interest the bank pays you vs. the interest they charge others is part of how they stay in business.