**Bank Notes Cheat Sheet**

Purpose of Banks

* + **Lend money to students who need it.**
	+ **A safe place for students to keep their money**
	+ **A means of investment (interest)**
	+ **Allows for faster and more convenient transactions (checks and checking accounts)**

Interest

* Before we go on, we must define what INTEREST is.
* …….any suggestions?
* Interest is calculated using **percent**
* Banks pay interest to customers who save money in their bank.
* People who borrow money from a bank must also pay interest….You can’t get money for free!

Other Definitions

* Withdraw : To take out money from an account
* Deposit : To put money into an account
* Loan : An amount of money you borrow from a bank.
* Balance: The amount of money that is in an account

Types of Accounts

**Checking Accounts**

* Banks do not pay interest
* Money is easy for client to get to
* Students can write checks to pay people and can cash checks written to them with this account (good for people with jobs, who get paid by check).

 ATMS, Debit cards

**Savings Accounts**

* Banks pay clients interest.
* Money is more difficult to get to. Clients may only be able to withdraw their money a few time per month. Banks can charge fees if clients do not follow these rules.
* Cannot deposit checks into a savings account
* Interest rates will depend on competition between the class’s banks (usually between 2 and 5 %)
* Interest should be calculated monthly
* Usually banks put restrictions on how often someone can withdraw from a savings account (ex: no more than 4 times a month).
* If someone goes over this limit, the bank can charge a fee and make money.
* EACH STUDENT WILL START OUT WITH $30 IN A ***CHECKING ACCOUNT***, WHICH I WILL DEPOSIT FOR THEM.
* IN ORDER FOR STUDENTS TO GET THIS MONEY, THEY MUST OPEN AN ACCOUNT AT A BANK!!
* ALL BANK ACCOUNTS WILL BE ***INSURED UP TO $100 PER STUDENT***. (Meaning if something bad happens, like a robbery, students will get up to $100 back from the government)

Record Keeping

* Banks need to keep **organized** records for each account. Every time someone deposits or withdraws money, (what is called a transaction), you must write it down in that accounts **“statement”.**
* A statement is a document that lists the date, how much the client withdrew or deposited, how much interest is paid or owed, and the balance.

Loans

* When banks lend money to their clients, they will get back **more money** than they originally lent to the borrower.
* This is because the borrower pays an interest rate on the amount that he or she borrows.
* The bank can decide what the interest rate will be on a loan.
* Loans that take longer to pay back usually have a **higher interest rate**. Loans that are paid back quickly usually have **lower interest rates**.

Treasury Bonds

* For example, Bank of America buys a $50 bond right when it is issued in September. Even though the value written on the bond is $50, it will not actually be worth that amount until 3 months have passed, or in December, when it matures.
* Another example: Jenny buys a $100 bond, which really costs $90 right now. After three months, she goes to exchange the bond for cash. She will get back $100, which is 10% more than what she started with!!!

Requirements

* Each bank must create a **5 – 10 minute power point presentation** that persuades students in the class to open an account with them.
* The presentation should include your *slogan and logo, your mission statement, why your bank is better than others, what are your interest rates for savings and loans, etc.*
* You can include information from this presentation in your presentation also (this presentation is on the website).
* …..Remember each student **MUST** open an account in order to get the $30 they are owed by me.