



DEPOSITORY INSTITUTIONS

Mary Poppins on British Bank
Stability



FEDERAL RESERVE BANK

- Commonly known as “The FED”
 - **Regulates the money supply of the United States**
 - Controls all electronic and check banking.
 - Coordinates the transfer of money between Depository Institutions
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DEPOSITORY INSTITUTIONS



- Commercial Bank
 - Credit Union
 - Internet Savings
Accounts
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DEPOSITORY INSTITUTIONS

- **Depository Institutions** – businesses which offer multiple services in banking and finance
 - These institutions include:
 - Banks
 - Credit Unions
 - Online Savings Accounts
 - They are regulated by various state and federal agencies



COMMERCIAL BANK

■ Commercial Banks

- Usually the largest depository institutions
- Considered full-service depository institutions
- Available to a variety of consumers

■ Examples – Wells Fargo, US Bank, Chase Bank



CREDIT UNION

- **Credit Unions**
 - Non-profit cooperative depository institution
- Owned by members who share a common bond
- Examples – Rocky Mountain Credit Union, Teachers Federal Credit Union



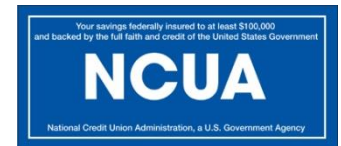
INTERNET SAVINGS ACCOUNTS

- **Pure Online Savings Accounts**
 - Focus on providing higher savings interest rates
 - Lower fees
 - More flexibility in fund allocation
- **Limited Customer Support**
- **No physical stores**



TYPES OF INSURANCE

- Each depositor is insured up to \$250,000
- **Federal Deposit Insurance Corporation (FDIC)**
 - Federal government agency which protects depository institution accounts
 - Insures commercial banks and savings and loan associations
- **National Credit Union Administration (NCUA)**
 - Provides insurance for credit unions



INTEREST

- **Interest** - the amount of money that is either gained or lost when accessing services offered by a depository institution
- **Interest rate** - the percentage used annually to calculate the total interest either gained or lost

| Type of account | Interest rate | Impact on the consumer |
|---|---------------|-----------------------------------|
| Interest earning - money earned from an investment instrument | High | More money earned by the consumer |
| | Low | Less money earned |
| Interest bearing - the charge for money that a consumer borrows from a depository institution | High | More money paid by the consumer |
| | Low | Less money paid |

Credit unions typically offer rates which have the most positive impact on the consumer

MANAGING YOUR CASH



CASH MANAGEMENT TOOL

Cash Management Tool

- A financial account used to assist with daily cash management.
 - Five types of cash management tools:
 1. Checking Account (Debit Card);
 2. Savings Account;
 3. Money Market Deposit Account;
 4. Certificate of Deposit;
 5. Savings Bond.
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CHECKING ACCOUNT

I. Checking Account

- Tool used to transfer funds deposited into an account to make a cash purchase.
 - Checking accounts may be non-interest or interest earning.
 - **Overdraft** is the fee charged when you spend more than what is in your bank account?
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CHECKING ACCOUNT MATH

- Amy has \$310 in checking account, pays \$83 in bills online which were immediately deducted from her account. The following day she withdrew \$30, \$23, and \$48 using her debit card. After she returns the \$23 item for a refund, how much does she have?

- Start with the beginning balance then subtract and add the various amounts

- $310 - 83 - 30 - 23 - 48 + 23 = 149$

DEBIT CARDS

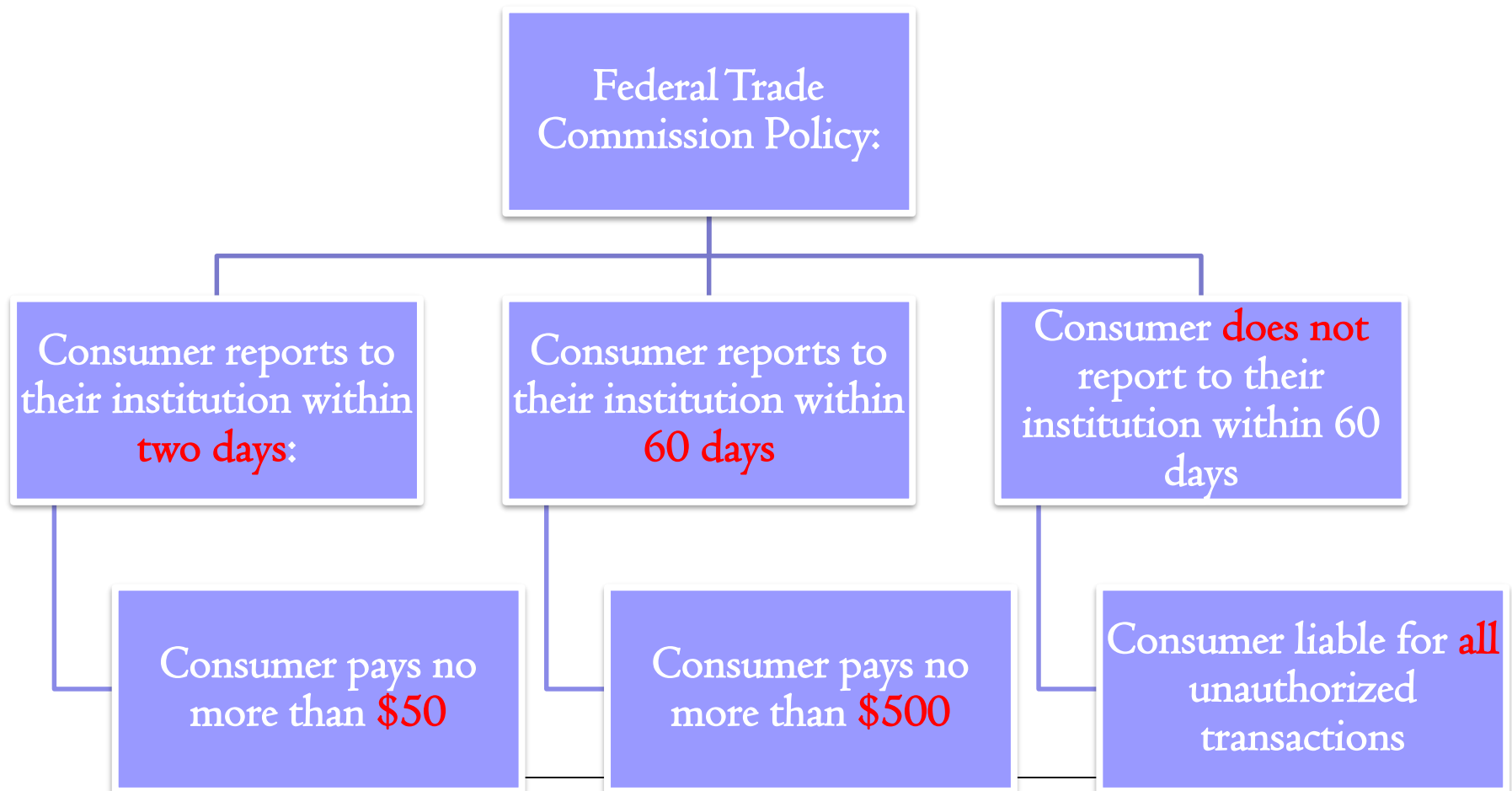
■ Debit Cards –

- Plastic cards, which look like credit cards
- Used to access money in a card holder's depository institution account (Checking account)
- Money is automatically withdrawn from the designated account – Usually checking account

■ For added protection:

- Sign the back of a debit card with
 - Your signature and
 - “Please See ID”
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CONSUMER LIABILITY



SAVINGS ACCOUNT

2. Savings Account

- Account to hold money not spent on consumption.
- **To keep money for a “rainy day”**
- Have a lower interest rate than other cash management tools
- Money may be accessed or transferred between accounts through:
 - Automated teller machines;
 - Telephones;
 - Internet.
- **Mt. America will give you \$75 for opening a Savings Account if you tell them your from Keys to Success**



MONEY MARKET DEPOSIT ACCOUNT

3. Money Market Deposit Account

- A government insured account offered at most depository institutions.
 - Have a minimum balance requirement with **tiered interest** rates.
 - The amount of interest earned depends on the account balance.
 - For example: a balance of \$10,000 will earn a higher interest rate than a balance of \$2,500.



CERTIFICATE OF DEPOSIT (CD)

4. Certificate of Deposit (CD)

- An insured, interest earning savings instrument with restricted access to the funds.
 - Found in depository institutions accepting deposits for a certain length of time.
 - Interest rates vary depending upon specified time length.
 - The longer the length, the higher the interest rate.
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SAVINGS BOND



5. Savings Bond

- Bonds double in value upon maturity.
 - Pay \$25 and in 25 years the bond will have a value of \$50
 - Interest earned on a bond is **tax exempt** until redeemed.
 - No taxes are due on interest earned.
 - It will be tax exempt when redeemed if used for college expenses.
 - Can be purchased for \$25.00 - \$10,000.00;
 - Discount bond purchased for 50% of the face value from the U.S. Government.
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INVESTMENT RISK PYRAMID

