

**STUDENT WORKBOOK**

THE 21ST CENTURY STUDENT'S GUIDE TO

# FINANCIAL LITERACY

**GETTING PERSONAL**



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Name: \_\_\_\_\_

## Eloise and Gunnar's Banking Blunders

Eloise and Gunnar are confused about banking. Consider their needs, then help them select the right financial product and successfully manage their accounts.



1. When Eloise couldn't find her dream job in New York, she moved home and took a job with an indie fashion store. She was excited when she received her first paycheck! She ran right over to Cityville Bank to open a savings account so she could deposit her paycheck and begin saving money. However, she was unable to open an account until she presents **two important identification documents**. What are they?  
  
\_\_\_\_\_  
  
\_\_\_\_\_

2. Eloise returned to the bank with her identification documents and opened a **savings account**. Each Friday she deposits her paycheck. One day at the mall she spots a glorious designer purse she simply has to have! She is surprised when the ATM card she uses to deposit her checks won't allow her to debit her savings account for purchases. What's wrong? What type of account do you recommend if Eloise wants to make purchases?  
  
\_\_\_\_\_  
  
\_\_\_\_\_

3. Eloise doesn't understand the differences between a **checking account** and a **savings account**. Explain to her some of the key differences.  
  
\_\_\_\_\_  
  
\_\_\_\_\_

4. Eloise returned to the bank and opened a **checking account**. Lately she's been on a bit of a spending spree. She has only \$20 left in her account. One day, she goes to the movies with a friend. She uses her debit card to buy a \$12 movie ticket. After she bought her ticket, she went to the concession counter and used her card to buy an \$8 popcorn. On the way home, she stopped for a nice cup of \$3.00 chamomile tea and bought a \$10 bouquet of flowers for Gunnar at the kiosk, paying with her debit card. When she got home she logged into her bank account and is shocked when she sees that her balance is -\$70.00. The message from the bank

# LET'S PRACTICE

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says **NSF fees**. What happened?

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5. Suggest 3 things Eloise can do to **keep track of her balance and avoid account fees**.

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6. Eloise has a start up fashion marketing business. Some of her clients want to pay with a credit card. What type of business account will enable her to **accept credit cards**?

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7. Eloise has saved quite a bit of money. She'd like to earn more interest on it than the standard savings account rate. She does not mind limiting access to the funds for an extended period, in exchange for a higher rate. What **consumer financial product** might she consider?

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8. Is there any type of **hybrid checking and savings account** that will earn her a higher rate of interest, yet allow limited monthly withdrawals? How is it abbreviated?

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9. Eloise's husband, Gunnar, is a citizen of Sweden. He does not have U.S. citizenship and he doesn't have a Social Security number. He does have a Swedish passport, U.S. taxpayer identification number, and a driver's license. Can he open an account with the bank?

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10. When Eloise and Gunnar returned home from their fairy-tale wedding in Sweden, they had a problem. As a wedding present, Gunnar's practical relatives had given them cash. They don't know what to do with the Swedish krona. They can't spend them in the U.S. They put the krona in a drawer and forget about them. Where can they **exchange krona for dollars**?

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# LET'S PRACTICE

Name: \_\_\_\_\_

11. Eloise and Gunnar have saved a lot of money. \$50,000 is in a CD at their local bank and \$75,000 is in their money market account. One day they get the distressing news that their bank has failed. Is their money lost forever? What if the combined balances of their accounts were over \$250,000?

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12. Eloise and Gunnar also have a thousand dollars in a **Bitcoin e-wallet**. Their Bitcoin exchange account is hacked and the money was stolen. Is it gone for good?

*Yes, the money is gone.*

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13. Eloise is a busy woman and hates standing in line at her bank. She is thinking about opening an account with an **online-only bank**. She is wondering what the advantages and disadvantages are and if her deposits are at risk in the event the bank fails. Tell her about online-only banks.

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14. Eloise wonders what banks do with all the money they receive from depositors. She imagines that the bank takes her money and puts it into a vault drawer with her name on it. Explain to Eloise what the bank does with her money.

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15. Banks are profit-driven institutions, meaning they are in the business of making money. List three ways banks make a **profit**.

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# LET'S PRACTICE

Name: \_\_\_\_\_

## The Battle of the Banks

As a young adult, you are bound to face many years of meager bank balances and lean times. Don't give your hard-earned money away to a bank! List 5 things you will do to avoid bank fees and charges. Then complete the chart below.



1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

	<b>Savings Account</b>	<b>Checking Account</b>	<b>Certificate of Deposits</b>	<b>Money Market Account</b>
offered at consumer/retail banks				
earns interest				
may charge service fees				
ATM access				
deposits insured by FDIC				
offers account alerts				
comes with debit card for making purchases				
may have a minimum balance requirement				
time deposit				
offered by online-only bank				
earns a higher rate of interest				
limited or no checking privileges				
available at investment banks				
Caution, overdraft fees apply!				
requires picture ID social security or TIN #				
substantial penalties for early withdrawal				

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Name: \_\_\_\_\_

## Are You Financially Literate? Chapter 2 Quiz

1. Anastasia works at a bank. It's not a consumer bank that takes deposits and provides savings and checking accounts. Her job involves helping companies prepare for stock offerings and providing financial advice to large corporations. What kind of bank does Anastasia work at? 1 PT \_\_\_\_  
\_\_\_\_\_
2. Daria's checking account balance is \$225. The minimum balance requirement is \$200. One Tuesday afternoon, she pays a \$95 utility bill with her debit card. Then she goes grocery shopping and spends \$125 using her debit card. After that she uses her debit card to buy a \$25 book at the bookstore and a \$5.00 latte with friends. According to her account terms, she can be charged \$25 for falling below the minimum balance requirement and \$35 for overdraft charges. How much did Daria run up in bank fees Tuesday afternoon? Explain. 2 PTS \_\_\_\_  
\_\_\_\_\_
3. What is the source of funds to pay for purchases made with a debit card? 1 PT \_\_\_\_  
\_\_\_\_\_
4. List two advantages and two disadvantages of credit unions, compared to standard banks. 2 PTS \_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
5. List five things you can do to avoid bank fees. 5 PTS \_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
6. Which of the following is a transactional account which allows you to withdraw money for daily expenses? 1 PT \_\_\_\_
  - a. Money Market Account
  - b. Checking Account
  - c. Savings Account
  - d. Certificate of Deposit

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Name: \_\_\_\_\_

7. Which of the following is an advantage of a savings account? 1 PT \_\_\_\_
- a. having cash on hand to fund your daily living expenses
  - b. earning interest on the balance
  - c. unlimited withdrawals and transfers
  - d. the inability to link the account to a debit card

8. Which of the following is NOT a bank fee? 1 PT \_\_\_\_
- a. deposit insurance fee
  - b. monthly service fee
  - c. overdraft fee
  - d. below minimum balance charge

9. What is a bank statement and what information would you find on it? 2 PTS \_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

10. Olivia's grandfather gave her a \$1000 certificate of deposit for her birthday. He said it would help her save for college. Olivia wants to take a vacation with her friends this summer, so she tried to withdraw some of that money to buy a plane ticket and was told by the bank teller that a CD is a time deposit and that she could access the funds only by paying a steep penalty. Explain to Olivia what this means. 2 PT \_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

11. I E Retail banks handle large and complex financial transactions for major corporations. 1 PT \_\_\_\_

12. All of the following financial products are offered by consumer bank divisions of commercial banks EXCEPT: 1 PT \_\_\_\_
- a. Certificates of Deposit
  - b. Checking accounts
  - c. Business insurance
  - d. Consumer credit

13. Marina overdrew her account buying groceries. The next day she hurriedly deposited a \$500 paycheck to replenish the account, but when she checked her balance it was only \$465. What happened? 2 PTS \_\_\_\_
- \_\_\_\_\_



# LET'S PRACTICE

Name: \_\_\_\_\_

14. List two advantages of online banking. 2 PTS \_\_\_\_

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15. Characteristics of virtual currencies include all of the following EXCEPT: 1 PT \_\_\_\_

- a. stateless
- b. anonymous
- c. highly stable in value
- d. peer-to-peer

16. Marcus was running a successful 3D printing company and had over \$500,000 in his bank 2 PTS \_\_\_\_

account at a small community bank. Unfortunately, the economy took a severe downturn and his bank failed. Did he lose all the money in his account? If not, why not? How much money does he have left?

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17. I E Once you have an ATM card from a major bank, you can use any ATM for free! 1 PT \_\_\_\_

18. Which of the following is NOT a way to use the funds in your checking account? 1 PT \_\_\_\_

- a. writing a check
- b. cash withdrawal from an ATM
- c. using a debit card to make a purchase
- d. credit card

19. Explain the relationship between the Great Depression and deposit insurance. 2 PTS \_\_\_\_

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20. Savings accounts are not used to fund \_\_\_\_\_ expenses; Banks anticipate that the funds 1 PT \_\_\_\_

deposited in a savings account will remain in the account for a period of time, so they are willing to pay \_\_\_\_\_ on the account.

- a. living; bonuses
- b. monthly; dividends
- c. daily; interest
- d. all of the above

SCORE: \_\_\_\_ / 32 PTS