

Name _____

Summary of Banking

1. Charles opens a checking account on October 3rd with a balance of \$1,962.00. His paycheck (\$1,025.34) is direct deposited on the 5th and 20th of every month. He goes to the ATM on October 7th and withdraws \$60.00. He writes a check on October 15th to First Energy for \$92.68. He uses his debit card at Wal-Mart to buy his groceries for \$48.92 on October 17th. On October 21st he writes a check to Municipal Waste for \$84.25. He uses his debit card to buy gas at Sheetz on October 25th for \$36.02. He writes a check on October 29th to Kodiak Real Estate for his rent of \$625. He withdraws \$40.00 at the ATM on October 30th.

| Number | Date | Description | Withdrawal | x | Deposit | \$ | | |
|--------|------|-------------|------------|---|---------|----|--|--|
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|---|-------------------------|
| CHARLES BROWN 123 SNOOPY LANE LINUS, MN 67890 | 1025 |
| | DATE _____ |
| PAY TO THE ORDER OF _____ | \$ <input type="text"/> |
| | _____ DOLLARS |
| MEMO _____ | |
| :000000000: :000000000 : 1025 | |

| | |
|---|-------------------------|
| CHARLES BROWN 123 SNOOPY LANE LINUS, MN 67890 | 1026 |
| | DATE _____ |
| PAY TO THE ORDER OF _____ | \$ <input type="text"/> |
| | _____ DOLLARS |
| MEMO _____ | |
| :000000000: :000000000 : 1026 | |

2. You have \$1,200 to put into some kind of savings option. You do not plan to use the money for anything in the near future. Which kind of savings option would be ideal for this? Why?

3. You have \$5,000 you want to transfer from your checking account into savings. You might need to access the money a few times within the next year. What kind of account do you think would be best? Why?

4. Marcus was saving for college and has a 529 savings plan. He decides that he wants get a job right out of high school instead of going to college. Can he still access his money for everyday expenses? What will happen if he does?

5. What are the advantages of investing in stocks? What are the disadvantages?

6. Name a type of retirement account.

7. Which account usually has a higher interest rate: a savings account or a money market account?

8. You are going to buy a used car for \$8,000. You need a car loan. You can afford to put \$1,000 toward the car but would need to take out a loan for the rest. Is it better to put the \$1,000 down on the car and take a loan for \$7,000 or should you just get a loan for the entire amount of \$8,000? Why?

9. Do you get better interest rates for loans on older cars or newer cars?

10. Mike is buying a car. He needs to take out a loan for \$11,500. Calculate the monthly payment and the total amount paid for each of the following scenarios.

| Lender | Loan Principal | Loan Term | Interest Rate | Monthly Payment | Total Amount Paid |
|------------|----------------|-----------|---------------|-----------------|-------------------|
| Scenario 1 | \$11,500 | 36 months | 3.99% | | |
| Scenario 2 | \$11,500 | 48 months | 4.125% | | |
| Scenario 3 | \$11,500 | 60 months | 4.75% | | |

a. Explain a situation in which Mike should use the loan in Scenario 2.

b. What is an advantage for Mike in Scenario 1?

c. What is a disadvantage for Mike in Scenario 1?

11. Define or explain the following:

a. Minimum Balance

b. Overdraft Fee

c. ATM Fee

d. Withdrawal

e. Deposit

f. Direct Deposit

g. Interest

12. Name 3 types of loans (Name 3 common things loans are granted for)

Use the statement shown below to answer questions 13 – 20.

13. What is the account number?

14. What is the period for this statement?

The Bank
123 Money St.
Savings, NY 45678

Account Statement
April 1 through April 30
Account Number: 93745193

15. How many deposits were made?

Balance as of 4/30 **\$1,452.07**

16. How many checks were written?

Activity Detail

Deposits

| Date | Description | \$ Amount |
|------|-------------------|-----------|
| 4/3 | Deposit | 150.00 |
| 4/12 | Automatic Deposit | \$1455.23 |

Total Deposits **\$1605.23**

17. On what date was check #1030 written?

Withdrawals

Checks

| Number | Date | \$ Amount |
|--------|------|-----------|
| 1030 | 4/2 | \$800 |

18. What was the total for the deposits?

Total Checks **\$800**

19. How did this person pay for Walmart purchases on 4/21?

Other Withdrawals

| Date | Description | \$ Amount |
|------|------------------------------------|-----------|
| 4/15 | Automatic Payment - Car Payment | \$198.00 |
| 4/18 | ATM | \$100.00 |
| 4/21 | Debit - Walmart | \$98.22 |

Total Other Withdrawals **\$396.22**

20. What was the balance of the account as of 4/30?

Total Withdrawals **\$1196.22**

21. Bank A has a checking account with a minimum balance of \$20, overdraft fee of \$5, and it does not earn any interest. Bank B has a checking account with a minimum balance of \$100, overdraft fee of \$3, and earns 0.01% interest. You just started your first full time job and want to open a checking account at one of these two banks. Which bank would you choose? Explain your reasoning for your choice.