

R WOW Banking

Why do we put our money in a bank?

- 1)
- 2)
- 3)
- 4)
- 5)

FDIC- _____
 Created in 1933- Insures individual deposits up to \$250,000 dollars today.



What do banks do?

They _____ our money.
 They _____ money to businesses and individuals.
 They are business/ _____ seeking firms.

Saving Money

There are four ways to save money in banks:

- 1)
- 2)
- 3)
- 4)



Savings and Checking Accounts:

Most _____ form of saving.
 People withdrawal from these accounts most frequently.
 They accrue _____ than money markets or CDs.

Money Markets vs. CDs:

Money Markets:

Interest rates can _____.
 Allows you to save.
 You are able to write a _____ number of checks.

CDs:

A guaranteed rate of interest.
 _____ remain in the account for a specified amount of time.
 _____ be removed before term is up, or there is a penalty.



Save money: Pay % interest to depositors.
 Simple Interest -
 Compound Interest -

Invested at 5% Interest	Compound	Simple	Difference
Start	5,000	5,000	0
After Year 1			
After Year 2			
After Year 3			
After Year 4			
After Year 5			

Rule of 72:

- The rule says that to find the number of years required to double your money at a given interest rate, you just _____.

Ex:

Let's Go to the Bank!

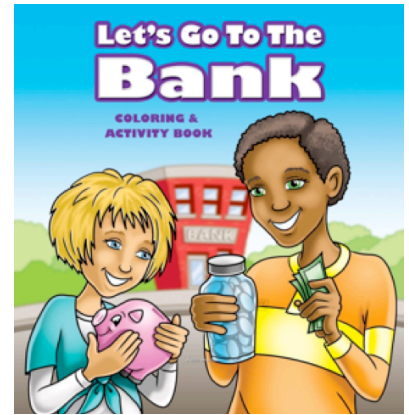
Deposit: \$10,000

Bank: _____

Interest Rate: _____

Amount in the bank after:

How much do you have after:



Year 1:

Year 10:

Year 20:

Fractional Reserve Banking

- Most banks practice _____.

- Fractional Reserve Banking:

Complete this diagram:



- Fees: 1) _____ 2) _____ 3) _____ 4) _____

Loans are the largest source of income for banks.

So you need money?

Amount Borrowed: \$20,000

Credit Score: _____

Bank: _____

Interest Rate: _____



Total (Interest + Principle): _____