UNIT 11 - GOALS, SAVING, INTEREST AND BANKING (13 days)

Setting goals and creating a plan to achieve them sets a path to follow. Learning about the reasons people often fail to meet goals prepares students to be on guard against the pitfalls that undermine achievement of goals. Understanding interest as a payment for the use of money, which is not only paid out by borrowers but also received by savers, is important in taking the lifelong view of one's finances. Being banked is necessary as a preliminary means to saving and receiving interest.

EPF.17 The student will demonstrate knowledge of personal financial planning by
a) identifying short-term and long-term personal financial goals
f) explaining how economics influences a personal financial plan
(BUS6120.100) (BUS6120.105)

Day 1 Saving requires foregoing spending; goals and why they're so hard to achieve
Day 2 Creating a plan to help achieve goals

EPF.10 The student will develop consumer skills by
d) determining the consequences of conspicuous consumption.
h) examining the impact of advertising and marketing on consumer demand and decision-making in the global marketplace
(BUS6120.103) (BUS6120.049)

Day 1 Stay on track towards meeting your goals

EPF.18 The student will demonstrate knowledge of investment and savings planning by
a) comparing the impact of simple interest vs. compound interest on savings.
(BUS6120.106)

Day 1 What is interest? Calculating simple interest
Day 2 Compound interest, the rule of 72, and the time value of money

EPF.12 The student will demonstrate knowledge of banking transactions by
a) comparing the types of financial institutions.
b) comparing how financial institutions affect personal financial planning
(BUS6120.061) (BUS6120.062)

Day 1 Financial institutions, check cashing, and payday loans

EPF.12 The student will demonstrate knowledge of banking transactions by
c) evaluating services and related costs associated with personal banking
d) differentiating among types of electronic money transactions
(BUS6120.063) (BUS6120.064)

Day 1 Understanding how funds are transferred and calculating the costs and benefits of banking

EPF.12 The student will demonstrate knowledge of banking transactions by
e) preparing all forms necessary for opening and maintaining a checking and saving account
(BUS6120.065)

Day 1 Completing application forms and examining a bank statement

EPF.12 The student will demonstrate knowledge of banking transactions by
f) reconciling bank statements
(BUS6120.066)

Day 1 Finding the errors

EPF.12 The student will demonstrate knowledge of banking transactions by
g) comparing costs and benefits of online and traditional banking
(BUS6120.067)

Day 1 Traditional and online banking

EPF.12 The student will demonstrate knowledge of banking transactions by
h) explaining how certain historical events have influenced the banking system and other financial institutions
(BUS6120.068)

Day 1 Panics, depressions, inflations and recessions
Day 2 September 11 and the financial crisis of 2007-2009

Evaluation Day

<u>EPF.17 The student will demonstrate knowledge of personal financial planning by</u>
a) identifying short-term and long-term personal financial goals
f) explaining how economics influences a personal financial plan.

Day 1 - Saving requires foregoing spending; goals and why they're so hard to achieve

Content Knowledge

Students want many things—but, like everyone else, they can't have everything they want. They must choose some things and give up others. The consequences of their choices will lie in the future. Understanding why people fail to save and spend wisely can give students insight that can help them make and stick to a plan to succeed.

Vocabulary
Long-term Goal - Something a person or organization plans to achieve at least five years in the future.
Short-term Goal - Something a person or organization plans to achieve within a one-year time period.

Virginia Board of Education Framework
EPF.17a: A short-term financial goal is to have funds to buy things that require money above what is normally allowed by a budget (e.g., emergencies, vacations, social events, automobile and home repairs, gifts).

A long-term financial goal anticipates major purchases that require extensive saving (e.g., home ownership, education, retirement, investments).

EPF.17f: Key economics principles that influence personal financial planning include the following:

- People must make choices due to scarcity.
- Every choice incurs an opportunity cost.
- All choices have consequences.
- Secondary effects of choices are important.

Applying these key principles to financial planning means the following:

- A budget details how one plans to use limited income to satisfy wants.
- There is a tradeoff between spending now and saving.
- Financial plans and financial products should take into account the goals of the individuals.

Teaching Tips

1) Review scarcity and opportunity cost. What is opportunity cost? and What do we give up, when we put money aside in savings? (*We sacrifice the use and enjoyment of goods and services that could have been purchased now.*)

2) Lead students in a brief discussion of what they spend money on, and whether they have been able to save.

3) Why is it a problem if we don't save? How do the students want to be living when they are adults? Get several volunteers to share their dreams for the future, and have them elaborate on their future past college, past marriage & having children, on into old age. As they mention things that would qualify as goals, list them, but without explicitly calling them goals. Ask whether there's a word describing all of these items as a whole: things that they want in the future - "goals".

4) Engage students in a discussion of immediate goals. Discuss immediate goals in the context of the current day; tomorrow; next month; etc.

5) Ask: Do you always meet your goals? If not, why? What's easier, achieving immediate goals, or the future goals? Why do people have trouble meeting goals?

6) At this point you may choose to implement an activity from the suggested lessons listed below. The Guide to Economic Reasoning states that we weigh our costs and benefits when we make choices, that we respond to incentives, and that important consequences of our choices lie in the future. Elaborate on the current sacrifice of spending that saving requires. Often, the problem is stated as, *the future is uncertain; therefore, we have a natural tendency to prefer immediate rewards over ones that take longer to achieve.* Discuss behavioral goals as well as ones that require money outlay. Can we come up with incentives to get ourselves to behave in ways that are in our long-term best interest?

   Suggested homework: Assign the reading from more.com for the next instructional day. Have students write an essay or blog entry on how they could apply at least three methods to assist themselves in reaching a short term goal (within 1 year), a medium term goal (more than 1 but less than 5 years) and a longer term goal (5 years or more in the future).

Lessons and Resources

Capstone Lesson 1: Economic Reasoning: Why Are We a Nation of Couch Potatoes?
Lesson demonstration found at: https://www.econedlink.org/resources/economic-reasoning-why-are-we-a-nation-of-couch-potatoes-lesson-demo/

Financial Fitness for Life Grades 9-12 Lesson 2: The Economic Way of Thinking

Learning, Earning and Investing Lesson 15: Why Don't People Save?

Day 2 – Creating a plan to help achieve goals

Content Knowledge

It's common knowledge that failing to plan means planning to fail. Making and implementing plans gives students a start on a sensible path towards positive futures.

Teaching Tips

1) Ask for student volunteers to share short, medium, and long-term goals from their homework (suggested on the previous day.)

2) Ask: What will be needed to achieve the goals? What are some sacrifices that could be made towards achieving the goals? *(First discuss goals that require changes in behavior other than spending; then discuss money requirements for some of their goals.)*

3) Assign students to research average costs of their goals. Be sure to have them use examples from each of the three categories (short-, medium-, and long-term goals).

4) Ask: What are some sources of money to achieve your goals? *(Parents, gifts from other relatives, own earnings, loans.)* Have them select one short, one medium, and one long-term goal and calculate the amount of money per week or per month that should be set aside to achieve each goal. (Students should keep these calculations to use again later.) Provide students with a template that provides space for listing goals in priority order, with each goal having space to indicate its estimated cost, months to achieve it, and sum to be set aside monthly towards achieving the goal.

5) Many or most students will see that they are unable to meet medium and long term goals with their current sources of money. Stress that this is why these are not short term goals. What can they do now that will set them on a path to achieving these goals? Remind them that they already learned something about the importance of human capital. They will learn more about that in a later unit (unit 13). They will also learn about putting the savings that they are able to achieve, to work to earn more money. It's too soon to lose hope of achieving their goals!

6) But before they get into those topics, they need to look further at obstacles to saving. Assign students to bring in either a physical piece of advertising from a newspaper or magazine, or a description of a television advertisement, that they find persuasive.

Lessons and Resources

Learning, Earning and Investing: High School Lesson 1: Why Save?

Take Charge Today lesson: Introduction to Spending Plans
https://takechargetoday.arizona.edu/system/files/Introduction_to_Spending_Plans_Lesson_Plan_1.2.4.pdf

Resource bank:

Investing in a College Education topic from Econedlink.
https://www.econedlink.org/topics/12

EPF.10 The student will develop consumer skills by
d) determining the consequences of conspicuous consumption.
h) examining the impact of advertising and marketing on consumer demand and decision-making in the global marketplace

Day 1 – Stay on track towards meeting your goals

Content Knowledge

A financial plan is not worth much if there's no follow-through. Temptations abound that can derail a financial plan. Students need to engage in reflection and discussion to understand advertising and status-seeking motives that can lead them astray from their goals, and into conspicuous consumption.

Vocabulary
Conspicuous Consumption – Purchasing goods or services with the intent of having them seen by others, usually in an effort to signal status or wealth.

Virginia Board of Education Framework
EPF.10d: Conspicuous consumption refers to buying goods and services not for their intrinsic value but for the purpose of impressing others in hopes of improving one's social status.

Conspicuous consumption can lead to spending beyond one's means. This requires borrowing, and excessive borrowing can lead to credit problems.

EPF.10h: Examination should address the impacts of marketing strategies on consumer decisions, with emphasis on advertising features that may be informative and features that may be misleading (e.g., infomercials, celebrity endorsements).

Teaching Tips

1) As an introductory activity, play the Millionaire Game from Financial Fitness for Life lesson 1 (below). As you debrief the game, be sure to contrast the sober behavior that millionaires exhibit, with conspicuous consumption.

2) Ask: Have you ever intended to save, but instead spent money on things you wanted? What influenced you to spend instead of save? Does advertising influence you? Are advertisers just trying to make you aware of products, or trying to motivate you to buy? How important is looking cool in front of your friends? Is looking cool really important in the long run? Contrast the temporary nature of looking cool, with the important goals for which they need to plan.

Discuss conspicuous consumption and how it can derail good intentions to save. You may want to use the video as a humorous piece indicating that it seems simple to save, but remind students of what they've learned about what makes saving difficult.

3) Some people use social reinforcement to help achieve goals. For example, some find that while they have trouble motivating themselves to work out alone, they do better when they take a class. They find that the shared experience of working to improve their fitness, and the fact that others are expecting their participation makes it easier. Likewise, some people find it helpful to participate in investment clubs, where the members work together to research investments and to save in order to invest. Do they have friends or relatives that they could work with to reinforce saving behavior?

4) Ask: How can you guard against spending that keeps you from attaining savings goals? *(Having a plan that we revisit regularly; keeping an illustration in view to remind ourselves of our goals; thinking critically about advertising; using social support to remind ourselves not to spend unnecessarily; keeping money where we don't have immediate access to it.)* Encourage students to locate or create pictures to remind them of their goals.

5) Discussion: Remind them about the calculations they did the previous day. Some goals require funds beyond what students have currently. Does saving mean just putting money aside from earnings, or does it mean the saved money can earn more money? Introduce the idea that money can earn additional money, by means of interest, dividends, and increased value of investments.

6) Assign those students who have savings accounts or whose parents have savings accounts to find out what rate of interest the account is currently paying.

Lessons and Resources

Financial Fitness for Life Grades 9-12 Lesson 1: How to Really be a Millionaire

Choices and Changes in Life, School and Work: Grades 7–8, Lesson 6: *Choices Have Benefits and Costs*

Choices and Changes: In Life, School and Work Grades 9-10 Lesson: Planning for Action: A Contract with Myself

EconEdLink.org Deceptive Advertising: Crossing the Line
https://www.econedlink.org/resources/deceptive-advertising-crossing-the-line/

Video
Don't Buy Stuff You Can't Afford http://www.nbc.com/saturday-night-live/video/dont-buy-stuff/n12020?snl=1

<u>EPF.18 The student will demonstrate knowledge of investment and savings planning by</u>
a) comparing the impact of simple interest vs. compound interest on savings.

Day 1 - What is interest? Calculating Simple Interest

Content Knowledge

Putting to work, money that has been set aside, is crucial to achieving long term goals. Students need to recognize that interest is a payment in compensation of opportunity cost for a saver/lender. People or firms that provide funds for loans are sacrificing the opportunity to use the money for their own consumption. In foregoing this use, they are entitled to compensation. Students should also be able to make simple interest calculations to arrive at estimates of their earnings on savings, or their costs of borrowing.

Vocabulary
Interest - Money paid regularly, at a particular rate, for the use of borrowed money.
Maturity – The length of time money is borrowed or invested.
Principal - An original amount of money invested or lent.

Virginia Board of Education Framework
Simple interest is paid annually on the principal.

Teaching Tips

1) Understanding the concept of interest—whether it is interest paid to a saver, or interest that a borrower must pay on a loan, leans partially on the idea of opportunity cost. When borrowing money, the rate of interest that is paid is partially a compensation of opportunity cost. The saver or lender of funds could do any number of things with the money involved, including spending it on goods and services. The saver/lender chooses to postpone consumption (opportunity cost) in return for payment in compensation. The size of the payment (how high the interest rate is) depends on the degree of risk involved.

2) Calculating simple interest is based on the equation: **Interest = Principal x Rate x Time**. The amount of interest is based on how much is owed, multiplied by the rate of interest (usually expressed as an annual or yearly rate) multiplied by the number of time periods (usually years) in the loan. Thus, the simple interest on a loan of $1,000 (principal) at a rate of 3% for one year would be expressed as Interest = 1,000 x .03 x 1. This equals $30. The teacher can create additional problems. It is advisable to provide alternate problems where the amount of interest is provided and other factors have to be calculated. (Example: What is the simple rate of interest on a $1,500 loan over two years, if the interest payment is $225? The problem can be set up as $225 = $1,500 x Rate x 2 or $225/($1,500 x 2) = Rate. Answer is 7.5% or .075)

Lessons and Resources

Financial Fitness for Life Grades 6-8 Lesson 13: Who Pays and Who Receives?

Financial Fitness for Life Grades 9-12 Lesson 14: All About Interest

Learning, Earning, and Investing: High School Lesson 12: Building Wealth Over the Long Term

EconEdLink Lesson Timing Is Everything
https://www.econedlink.org/resources/timing-is-everything/

EconEdLink Lesson. Calculating Simple Interest
https://www.econedlink.org/resources/calculating-simple-interest/

Econedlink Ed Tech: Compound Interest Calculator
https://www.econedlink.org/resources/compound-interest-calculator/

Day 2 - Compound interest, the rule of 72, and the time value of money

Content Knowledge

Students need to understand that by allowing interest or dividends to continue growing (that is, allowing money to "work" for them), they can achieve significant results. The Rule of 72 provides a simple way to estimate how long it will take a sum to double given a particular rate of interest. The time value of money permits comparison of the value of money to be paid in the future, with money in the present.

Vocabulary
Compound Interest - Interest that is earned not only on the principal but also on the interest already earned.
Rule of 72 - A mathematical rule for determining the number of years it will take for an investment to double in value. The number of years is determined by dividing 72 by the annual rate of return. Thus, an investment expected to earn interest at a rate of 8 percent will double an investor's funds in 72/8, or nine years. Dividing 72 by the number of years in which an investor wishes to double his or her return will yield the necessary rate.
Time Value of Money – This is the value of a sum of money at a different period of time. It can be expressed as the future value of a sum when the present amount, the rate of interest or return, and the maturity; or the present value when the future value, the rate of interest or return and the maturity are known.

Virginia Board of Education Framework
The rule of 72 reveals how long it takes for an investment to double in value:

72 ÷ interest rate = number of years it will take for the money to double

The value of money today is greater than the value of the same amount of money in the future.

The time value of money is the amount of money one would need to receive today to equal a certain sum in the future. For example, a lottery winner who wins $1 million has a choice of (1) receiving a certain amount of money every year until the total is $1 million or (2) receiving a sum today (present value), which when invested at current interest rates would yield $1 million (future value) over the same period of time.

Teaching Tips

1) Start by reviewing the previous day's learning on interest. Ask: What would happen if your interest earned interest? Demonstrate the effect of a rate of return of 8% on a $1,000 investment over a period of nine years, compounding the interest (e.g., at the end of year one, the investment is worth $1,080; at the end of year two, the investment is worth $1,166.40; at the end of year three, the investment is worth $1,259.71; at the end of year three, the investment is worth, $1,360.49; etc.). The middle school lesson listed below, Who Pays and Who Receives? in student exercise 13b, includes a table that spells out the calculations for determining compound interest. Have students notice when the amount of the investment has doubled.

2) The teacher should tell students there is a way to estimate doubling time that is quick and simple. Explain the rule of 72 (72 / interest rate = doubling time).

3) Students should be given a number of interest or growth rates to practice finding the estimated doubling time. Ask: What rate of growth (interest rate) would allow their investment to double in 5 years, in 10 years, in 15 years? *(The formula is simply 72/doubling time = interest rate (which is the same as growth rate)).*

4) Have students calculate the doubling time on an investment yielding 6%. (Doubling time is 12 years.) Have students determine how many 12s are between their current age and an anticipated retirement age of 67. (If the student is 17, there are 50 years, so there are approximately four 12s. Have them double an investment four times ($10,000 x 2 x 2 x 2 x 2).

5) Emphasize the importance of time in the formula for calculating interest earnings. This is why it is so crucial that they start saving at a young age. The high school Financial Fitness lesson listed below, "What's the Cost of Saving and Spending?" emphasizes this point.

6) Explain the concept of the time value of money by pointing out that if you have a sum of money now, it can be generating income right now; whereas if you don't receive it until some time in the future, it amounts to receiving less, because you're lost the interest that could have been earned between now and when you receive the funds. We need a means of comparing the value of a sum received in the future, with a sum in hand now. This is done by calculating the present value of the future sum. In preparation for teaching this material, you may want to refer to the Khan Academy video cited below. Consider using the Family Economics and Financial Education lesson below with your class.

7) As an introduction for the next day, ask: Where does the money have to be, to earn interest? *(In a financial institution.)*

8) For homework, have each student who has a relationship with, or whose parent(s) has/have a relationship with a financial institution, report the name of the institution.

Lessons and Resources

Financial Fitness for Life Grades 6-8 Lesson 13: Who Pays and Who Receives?

Financial Fitness for Life Grades 9-12 Lesson 20 : What's the cost of saving and spending?

Learning, Earning & Investing Lesson 12: Building Wealth over the Long Term

EconEdLink Lesson. Time Value of Money https://www.econedlink.org/resources/time-value-of-money/

It's Your Paycheck, Lesson 5: Savvy Savers
http://www.stlouisfed.org/education_resources/paycheck.cfm

Compound Interest Calculator - Interactive
https://www.econedlink.org/resources/compound-interest-calculator/

Video
Kahn Academy, Time Value of Money
http://www.youtube.com/watch?v=As1QpFGlGbg

<u>EPF.12 The student will demonstrate knowledge of banking transactions by</u>
a) comparing the types of financial institutions
b) comparing how financial institutions affect personal financial planning

Day 1 - Financial Institutions, Check Cashing & Payday Loans

Content Knowledge

Keeping one's money in a bank, credit union or other financial institution allows one to earn interest, and to cash or directly deposit paychecks free of charge. It can also keep money out of one's hands to help one resist the urge to spend it unwisely. In contrast, use of check cashing services and payday loan companies is expensive. The use of payday loan companies can sabotage a financial plan. Due to the financial complexity of today's world, students need to understand the various types of institutions that are available to them, identify basic services, evaluate costs and benefits connected with each, and decide on their banking status. Many of today's banks include brokerages and insurance companies within service offerings.

Vocabulary
Bank – A financial institution that provides various products and services to its customers, including checking and savings accounts, loans and currency exchange.
Broker – an individual who provides investment services to other individuals, assisting in the buying and selling of stocks, bonds and other investment instruments.
Certificate of Deposit (CD) – A certificate issued by a bank to a person depositing money in an account for a specified period of time (often six months, one year or two years). A penalty is charged for early withdrawal from CD accounts.
Check – A written order to a financial institution directing the financial institution to pay a stated amount of money, as instructed, from the customer's account.
Checking Account – A financial account into which people deposit money and from which they withdraw money by writing checks.
Consumer Loan – A loan made to an individual or household for purposes of buying or paying for a consumer good (car, appliance, etc.).
Credit Union – A nonprofit financial institution owned by its members; offers various financial services including accounts and loans; regulated by the National Credit Union Association (NCUA).
National Credit Union Administration (NCUA) – The federal agency that regulates credit unions and administers the insurance fund that insures member credit unions' deposits. Depositors' accounts with member credit unions are insured up to $250,000..
Deposit – Money put into a financial account. Also, to place money in a financial account.
Federal Deposit Insurance Corporation (FDIC) – A federal agency that guarantees depositors' savings up to $250,000 per account in most commercial banks, savings banks and savings associations.
Pay-day Loan Company – A loan issued to a borrower who writes a post-dated check made out to a lender (usually a company specializing in payday loans and other financial services targeted to low-income customers) for the amount he or she wishes to borrow plus a fee. The lender then gives the borrower cash in the amount stated on the check, minus the fee, and holds the check until the borrower's next payday, when the lender cashes it. No credit background check is

required. The cost (in fees and interest) to those who use payday loans is often high, however, when calculated as an APR.
Savings Account – An interest-bearing account (passbook or statement) at a financial institution.
Savings and Loan – A type of financial institutions that specializes in but is not restricted to lending money to consumers for mortgages.

Virginia Board of Education Framework
Credit unions, banks, and savings and loan companies generally offer checking accounts, savings accounts, consumer loans, certificates of deposit, and check cashing for depositors.

Banks and savings and loan companies are generally insured by the Federal Deposit Insurance Corporation (FDIC) and credit unions by the National Credit Union Share Insurance Fund (NUSIF). Consumers should be aware that not all deposits are insured.

Some consumers do not have bank accounts and use check-cashing services when they must cash a check. Companies charge a very high fee for this service.
Payday loan and check-cashing companies typically charge higher rates than banks for their services.

Many banks offer brokerage and insurance services, as well as financial management advisors.

Teaching Tips

Today's lesson might encompass three distinct components.

1) The first should be a discussion of the basic services one expects from banks and other similar financial institutions, and how using a financial institution can contribute to achieving one's financial goals. The basic services include transaction accounts (checking), savings accounts, and loans. Note: you can start by reminding students that in Unit 9 they learned that financial institutions serve as intermediaries.

2) The second should be an exploration of the types of financial institutions that exist in your area. These will likely include banks and credit unions, but may also include savings and loans (called thrifts in some areas). Include a very brief explanation of the two organizations that provide deposit insurance for customers. The Federal Deposit Insurance Corporation (FDIC) covers banks and savings & loans (thrifts) and is a government entity. The National Credit Union Share Insurance Fund insures credit unions. Deposits are only insured up to a certain amount.

3) Explain and explore how check cashing services and payday loan companies work, and how detrimental they can be to one's financial health if you are careful.

Lessons and Resources

<u>Financial Fitness for Life Grades 9-12</u> Lesson 9: Banking Basics

<u>Learning, Earning & Investing</u> Lesson 11: Financial Institutions in the US Economy

Online
Money Smart: A Financial Education Curriculum
http://www.fdic.gov/consumers/consumer/moneysmart/

It's Your Paycheck Lesson 3: Cash the Check and Track the Dough, Handout 3.2: What do you know? http://www.stlouisfed.org/education_resources/paycheck.cfm

It's Your Paycheck Lesson 8: So How Much Are You Really Paying for that Loan? https://www.stlouisfed.org/~/media/Education/Curriculum/pdf/Its-Your-Paycheck-Lesson-8.pdf?la=en

Meka's Story. Video of a payday loan victim (Facebook).
https://www.facebook.com/watch/?v=1767071170011758

<u>EPF.12 The student will demonstrate knowledge of banking transactions by</u>
e) preparing all forms necessary for opening and maintaining a checking and saving account

Day 1 - Understanding how funds are transferred and calculating the costs and benefits of banking

Content Knowledge

The technological changes in banking mean that the array of services offered has become broader. The availability of online banking, remote deposits and withdrawals, and the security risks that can accompany such transactions, all affect the benefits and costs associated with using financial institutions.

Vocabulary
Automated Bill Payment – a process that allows consumers to make regular bill payments from their banking accounts using electronic methods such as consumers and arranged drafts.
Automated Clearing House (ACH) – An electronic network for financial transactions in the U.S. The network processes batches of debits and credits to various financial institutions allowing for fast, safe and efficient transfer of funds.
Automated Teller Machines (ATM) – A machine that provides cash and performs banking services (for deposits and transfers of funds between accounts, for example) automatically when accessed by customers using plastic cards coded with personal identification numbers (PINs).
Check Clearing for the 21st Century Act (Check 21) – An act of Congress that allows banks to use and transmit digital images of checks rather than transport paper checks for return. This allows for services like remote deposit of checks and facilitates bill-paying.
Checking Account – A financial account into which people deposit money and from which they withdraw money by writing checks or using an ATM or debit card.
Credit Cards – A small, specially coded plastic card issued by a bank, business, etc., authorizing the cardholder to purchase goods or services on credit.
Debit Card – A small, specially coded plastic card issued by a bank; allows the cardholder to transfer funds electronically and immediately from his or her checking account, as if the cardholder were writing a check to pay for a purchase.
Direct Deposit – The electronic transfer of a payment (for a month's salary, for example) directly from the payer's account to the recipient's account.
Loans – An amount of money provide by one party to another with the understanding that the money will be returned, in full, often with interest.
Remote Deposit – This is the process of depositing funds from a home or office without visiting a financial institution. The customer scans an image of the check and then transmits it to the financial institution where the transaction is completed.
Savings Account – An interest-bearing account (passbook or statement) at a financial institution. Funds are accessed by withdrawing funds at the institution or using an ATM or debit card.

Virginia Board of Education Framework
EPF 12 c: Benefits of services provided by financial institutions include:

- check cashing

- interest earned
- debit cards
- ease of bill paying
- online account management
- direct deposit
- automated teller machine (ATM)
- improved access to loans.

Costs for services provided by financial institutions include interest on loans and fees, such as:

- ATM Fees
- late fees
- minimum balance fees
- returned check fees.

Consumers who are unbanked may have difficulty:

- establishing credit
- cashing checks without paying a service fee
- mailing bill payments
- acquiring loans
- receiving direct deposit income
- keeping income safe.

EPF 12d: Types of electronic monetary transactions include

- direct deposit
- remote deposits
- check cards and debit cards
- automated teller machine (ATM) banking
- online banking and bill paying
- online investments
- wiring of funds.

The Automated Clearing House (ACH) is the system used to process electronic monetary transactions.

The Check Clearing for the 21st Century Act, or Check 21, makes check processing easier and less expensive for financial institutions by creating substitute checks that can be exchanged electronically.

Teaching Tips

1) If computers are available, provide a vocabulary list and have students seek out definitions of the vocabulary terms and how funds are transferred electronically. Have them visit financial institutions' websites, and record fees associated with various services.

2) Bring the class back together to discuss the information gathered including the costs and benefits of using financial institutions within the discussion. Use the PACED decision making model to help facilitate the selection of a financial institution based on individual student's financial future goals.

Lessons and Resources

The Great Economic Mysteries Book: A Guide to Teaching Economic Reasoning Grades 9-12
Chapter 3, Lesson 15: Why are ATMs Everywhere? Big Piggy Bank Mystery

Financial Fitness for Life: 9-12 Theme 3, Lesson 9: Banking Basics

Online
EconEdLink.org The Role of a Bank Teller
http://www.econedlink.org/lessons/docs_lessons/367_activityone1.doc

It's Your Paycheck Curriculum http://www.stlouisfed.org/education_resources/paycheck.cfm

<u>EPF.12 The student will demonstrate knowledge of banking transactions by</u>
f) reconciling bank statements
(BUS6120.066)

Day 1 - Completing application forms and reading a bank statement

Content Knowledge

While many students may have accounts, often these were set up for them by parents, grandparents, or guardians. Students need practice preparing the forms for opening accounts, writing checks, deposit and withdrawal slips. Practice reading a bank statement will prepare the way for reconciling statements the following day.

Vocabulary
Bank Account - An arrangement by which a bank holds funds on behalf of a depositor. Also, the balance of funds held under such an arrangement, credited to and subject to withdrawal by the depositor.
Bank Statement - A monthly summary providing the status of a depositor's financial accounts (checking and/or savings).
Check Register - A form (usually located in the back of a checkbook) on which users of checking accounts may record checks they have written and deposits they have made. Information thus recorded helps people keep track of balances in their accounts.
Checking Account - A financial account into which people deposit money and from which they withdraw money by writing checks or using a debit card.
Savings Account - An interest-bearing account (passbook or statement) at a financial institution. Funds are accessed by withdrawing funds at the financial institution or by using an ATM or debit card.
Signature Card – A document bearing a person's signature, held on file in a financial institution. In cases of suspected forgery, signatures of doubtful origin can be checked against those recorded on signature cards.

Virginia Board of Education Framework
Opening and maintaining a checking or savings account involves

- completing an application
- completing a signature card
- presenting approved identification document
- writing/maintaining checks, stubs, and check register
- endorsing checks
- completing deposit and withdrawal documents.

Teaching Tips

1) There are a number of banking units available from state and national trade groups. Most will have sample documents that can be reproduced. Sample documents can also be

obtained from local financial institutions in order to compare and contrast the information required on forms.

2) In showing the students how to read a bank statement, discuss the effect of individual transactions as well as total transactions. Also, draw students' attention to various service charges that may be listed.

Lessons and Resources

Financial Fitness for Life: Grades 6-8 Theme 3, Lesson 8: Choosing and Using a Checking Account

EconEdLink.org Using an Excel Checkbook
https://www.econedlink.org/resources/using-an-excel-checkbook/

Banking Basics – publication that provides an overview of banking for teenagers
http://www.bos.frb.org/education/pubs/banking2.pdf

Video
How to Open a Bank Account http://www.youtube.com/watch?v=or-_aXJQbyg

Understanding Your Bank Statement http://www.youtube.com/watch?v=YK9o3eNcGE0

Day 1 - Finding the errors

Content Knowledge

Reconciling a bank statement is an important aspect of maintaining and securing your financial health. Too many people don't do it.

Vocabulary
Reconciliation – The process of comparing one's financial records (checkbook or passbook) to the records of the financial institution (bank statement) to find errors.

Virginia Board of Education Framework
Reconciliation is the process of bringing the checkbook register into agreement with the bank statement. This may be done electronically or manually.

Teaching Tips

1) If the teacher doesn't reconcile his or her bank statement, this lesson may be harder than it appears. Be sure to run the process through before demonstrating in class.

2) When searching for errors, there are two steps:
   a) If the amount is an even number, look for an error of half the amount but posted to the wrong side. A $25.00 deposit mistakenly entered as a $25.00 withdrawal will result in a $50.00 error.
   b) Likewise if the amount of discrepancy is divisible by nine, the error is likely to be a transposition error. $73.00 mistakenly entered as $37.00 will result in a discrepancy of $36.00. The amount is divisible by nine. Additionally, the product (4) indicates the difference between the numbers transcribed. (7 – 3 = 4).

Lessons and Resources

Twilight – Reconciling Edward Cullen's Bank Statement
http://studylib.net/doc/8417563/twilight---reconciling-edward-cullen-s-bank-statement

Family Economics and Financial Education lesson plan – Checking Account Simulation
Take Charge Today lesson: Checking Account and Debit Card Simulation.
http://wp.lps.org/bjames/files/2015/03/Student-Assessment-Checking-and-Debit-Account-Simulation.pdf

Video
How to Reconcile a Checkbook/Bank Statement
http://www.youtube.com/watch?v=0eciD5AhRUI

<u>EPF.12 The student will demonstrate knowledge of banking transactions by</u>
g) comparing costs and benefits of online and traditional banking
(BUS6120.067)

Day 1 - Traditional and online banking

Content Knowledge

Customers of financial institutions have an increasingly wide array of options for making payment. While paper-based transactions (checks, physical deposits) still are used, more and more people are choosing options like automatic withdrawal, automated bill-payment and electronic deposits. These options present advantages and disadvantages for the consumer.

Virginia Board of Education Framework
Benefits of traditional banking may include
- comfort of the familiar
- confidence about privacy and security
- availability of expert advice and customer service.

Costs of traditional banking may include
- limited access
- more paper to file
- possible account fees.

Benefits of online banking may include
- convenience
- 24-7 availability
- ease of updating transaction records.

Costs may include
- time to learn system
- concern about privacy and security
- reduced relationship with bank
- possible account fees.

Teaching Tips

1) Discuss how to establish automated payments through a creditor (like your mortgage lender or utility company) and/or the bank (regular transfer payments to a family member or other entity).

2) Discuss the trade-offs and the costs & benefits of traditional paper-based payments vs. electronic payments. In the discussion, include aspects like memory (forgetting that a payment is withdrawn regularly) and timing (knowing when the payment arrives at the

creditor and when the money is withdrawn).   If the PACED decision model (referenced in Unit 1) was not used in evaluating which financial institution to use, have students use it to decide whether electronic online services are best for them

Lessons and Resources

Financial Fitness for Life, 3rd Edition. Lesson 9 - Financial Institutions and Services.

It's Your Paycheck Lesson Plan – Choosing a Bank Account. "Cash the Check and Track the Dough."
https://www.stlouisfed.org/~/media/education/curriculum/pdf/its-your-paycheck-lesson-3.pdf

The Financial Literacy Project Online Banking Simulator
Instructions: http://finlitproject.com/products/insurance/
Simulator: http://finlitproject.com/simulator/

Ed Tech:
My Kids Bank. A free, easy-to-use online play banking experience for students. Great for use in classroom mini-economies.
http://mykidsbank.org/

EPF.12 The student will demonstrate knowledge of banking transactions by
h) explaining how certain historical events have influenced the banking system and other financial institutions

Day 1 - Panics, depressions, inflations and recessions

Content Knowledge

It would be easy to think that banks have always been as safe and convenient as they are today. But that would not be true. Believe it or not, at one time, different parts of the country even had different currencies. A look at U.S. history will show that bank failures were not uncommon prior to the establishment of the Federal Reserve System and the FDIC (Federal Deposit Insurance Corporation). The Great Depression occurred soon after the establishment of the Fed and many feel the Fed was ineffective in controlling bank failures. Many depositors who lost their savings in bank failures never trusted banks again. The Federal Deposit Insurance Corporation was established to guarantee savers that they would not lose their savings. Today, if your bank fails, the FDIC will cover your losses. Naturally, because the FDIC has to make good on deposits in failed banks, they want rules to protect depositors and rules that keep banks from engaging in risky behavior.

An understanding of the history of financial panics, depressions, and other economic crises will give students perspective on the historical development of our financial system and the development of the Federal Reserve System.

Vocabulary
Great Depression – The period from 1929 to 1939. It was a series of severe recessions characterized by high unemployment, falling prices, and large numbers of bank failures.
Panic of 1907 – A financial crisis brought about by an attempt to corner the copper market. The ensuing collapse of the market led to first to widespread failure of banks, and ultimately to the creation of the Federal Reserve System.

Virginia Board of Education Framework
18th and 19th centuries
The Industrial Revolution brought an economic shift in the United States from bartering and trading to exchange of currency for goods and services; individuals moved from being self-supporting to working for others; increased use of money allowed for purchases and the initiation of consumer credit, as well as seasonal bank loans for farmers; the period also saw high bank interest rates.

- 1791 — First Bank of the United States established
- 1816 — Second Bank of the United States established

20th century Transition from an agricultural economy to an industrial economy and an expansion of purchasing power and credit

- World War I — War debt incurred by United States
- Panic of 1907

- 1913 — Federal Reserve System established
- 1920s — Stronger credit
- 1920–1980 — Credit made available to most Americans
- 1929 — Stock Market Crash
- 1930s — Great Depression; decade of consumer distrust of credit and investment
- 1940s–1960s — Stable inflation rates; low interest rates
- 1970s — Rapid economic growth; overuse of credit; high inflation rate; consumer credit protection legislation; birth of credit counseling
- 1990s — Credit as a major marketing tool across industries; major stock market gains; longest peace time expansion

Teaching Tips

1) Use a timeline for this lesson. First, it will show that financial crises are impossible to avoid. Regardless of the financial structure and regulation, problems occur. Second, it will show that financial crises can teach us lessons about ways to improve the economic environment, by revealing weaknesses in the financial system.

2) Consider using the bank panic simulation from lesson 3 of The Great Depression curriculum below.

Lessons and Resources

Teaching Financial Crises Lesson 1: A Comparison of the Panic of 1907 to the Crisis that Began in 2007

Focus: Understanding Economics in U.S. History Lesson 16: Andrew Jackson and the Second Bank of the United States

The Great Depression: A Curriculum for High School Students Lesson 3: What Really Caused the Great Depression?
https://www.stlouisfed.org/education/great-depression-curriculum-unit

Readings
"The First Bank of the United States"
https://www.philadelphiafed.org/-/media/publications/economic-education/first-bank.pdf

A Lesson to Accompany "The First Bank of the United States: A Chapter in the History of Central Banking"
http://www.philadelphiafed.org/education/teachers/lesson-plans/first-bank.pdf

The Panic of 1907
http://www.bostonfed.org/about/pubs/panicof1.pdf

Closed for the Holiday: The Bank Holiday of 1933
http://www.bos.frb.org/about/pubs/closed.pdf

Video
The Bank Run from *It's a Wonderful Life*
https://www.youtube.com/watch?v=iPkJH6BT7dM

Day 2 - September 11 and the Financial Crisis of 2007-2009

Content Knowledge

Today's students were very young in 2001, so the events of September 11 need to be discussed, as they affect current financial markets. Currently, the US continues to experience repercussions from the recent financial collapse involving credit default swaps and the collapse of housing values. Students need to come to an understanding of these events in order to participate as informed citizens in political issues regarding regulation of the banking system and fiscal and monetary policy.

Virginia Board of Education Framework
21st century
September 11, 2001 — Terrorist attacks on the World Trade Center, the Pentagon, and Pennsylvania led to major stock market losses. Threats of further terrorism continue to influence the financial markets.
The latter part of the first decade was marked by a significant economic recession that resulted in failed banks, foreclosures, and high unemployment.

Teaching Tips

1) Ask students what they know of September 11, and in particular whether they recognize it as a seminal event for our country. Describe the atmosphere of shock that enveloped the US and the repercussions worldwide that resulted. Address the effects on our economy by using the Open and Operating video below.

2) Use a simulation of the effects of securitization on investing in the housing market, and the use of leveraging, contained in Lesson 6 of Teaching Financial Crises.

3) You may wish to assign as homework, the article by economist Joseph Stiglitz listed below. Assign students to write an essay on Stiglitz's explanation for what caused the Great Depression and what ails the economy in 2012. Require them to contrast Stiglitz's explanation of the Great Depression with the explanation in lesson 3 of The Great Depression curriculum.

Lessons and Resources

Teaching Financial Crises Lesson 6: The Role of Housing in the Financial Crisis of 2007-2009; Lesson 7: The Instruments and Institutions of Modern Financial Markets; Lesson 8: Understanding Financial Markets, 2007-2009

"The Subprime Mortgage Crisis: Who Messed Up?" Lesson plan and skit available through the VCU Center for Economic Education (available by request, shday@vcu.edu).

The Great Depression: A Curriculum for High School Students Lesson 3: What Really Caused the Great Depression? https://www.stlouisfed.org/education/great-depression-curriculum-unit

Video
Open and Operating : The Federal Reserve Responds to September 11
http://www.frbsf.org/education/teachers/open/index.html

Reading
Article: The Book of Jobs by Joseph E. Stiglitz
http://www.vanityfair.com/politics/2012/01/stiglitz-depression-201201

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