

Economics

Copeland

Week 3

Budgeting

- Nearly everything you do is influenced by money
- When managed well, money makes your life easier.
- When managed poorly, it can cause great stress and create significant obstacles.



Budgeting

- How to find out where your money goes:
 - List the bills you pay every month
 - Cell phone, Internet, car insurance
 - For one month, list everything you buy, including the price you paid- no matter how little and item costs
- The wisest financial decision you will ever make is to start a budget now and save a percentage of all money you receive.
- The second-wisest decision is to deposit what you save into a financial institution

Financial Institutions

- **Financial Institution**- group that channels savings to investors; including banks, insurance companies, savings and loans
- Financial Institution make money by "selling" money
- **Savings**- the dollars that become available for investors to use when others save
- F.I. takes the money you deposit into an account and loans it out to other people
- The investor is given a payment in the form of **Interest**- payment made for the use of borrowed money.
- Those who receive a loan from the F.I. are charge a higher interest rate than the investor and the F.I. make capitol

Financial Institutions

- The amount of interest depends on the **Interest Rate**- a percentage a bank will pay to depositors or charge to borrowers.
- The Federal Reserve System (Fed)- a privately owned, publicly controlled, central bank of the U.S., determine the interest rates



Commercial Banks

- Commercial banks are the most common and safest financial institutions
- C.B. help their customers manage day-to-day transaction, such as paying bills
- C.B's offer online services and Automated Teller Machines(ATM)
- What makes commercial banks safe?
- The money deposited in a single bank-up to \$250,000-is insured through the FDIC
- **Federal Deposit Insurance Corporation**- the U.S. government institution that provides deposit insurance on the depositor's account

Credit Unions

- **Credit Unions**- nonprofit service cooperative that accepts deposits, makes loans, and provides other financial services
- The benefit of a credit union is that its goal is to share its profits with members
 - Offering low interest rates
 - Lower fees



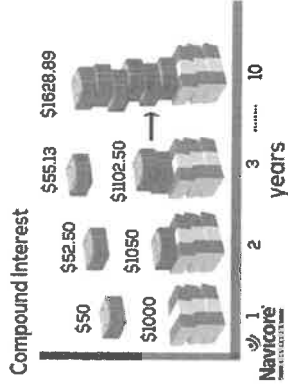
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CREDIT UNION

Nonbank Financial Institutions

- *Finance Companies* make loans directly to consumers who want to pay for large items
- *Life Insurance Companies* lend their surplus funds.
- *Investment banks* buy and sell stocks and bonds
- At one time investment banks and commercial banks existed together in the same bank.
- Congress passed the Glass-Steagall Act to separate them after the 1929 stock market crash.

Why Start Saving Now?

- Savings account also improves your credit rating, which is vital if you want to borrow money
- Compounding, is a process in which your interest earns interest.
- Compounded accounts can be semi-annually, quarterly, monthly, or daily.
 - The more frequent, the more interest



Opening an Account

- Why do people choose a particular bank over another:
 - Their parents bank
 - Convenience
 - Good Reputation
 - Better services
 - Lower Fees
- Question you should ask before opening an account:
 - Does it require a minimum balance?
 - Some charge fees and some do not
 - What are the fees?
 - Good to know what services you will and won't receive
 - What interest rates do the bank offer?
 - Banks off a particular range for various accounts

Name: _____

Budgeting Money

Vocabulary

Instructions: Write the definition for each vocabulary term using the power point provided.

1. Financial Institution
2. Saving
3. Interest
4. Interest Rate
5. Federal Deposit Insurance Corporation
6. Credit Unions

Directions: Answer the following question using the power point provided.

1. What happens when money is managed well, and managed poorly?
2. What do Financial Institutions do with the money you deposit into your banking account?
3. What is the Federal Reserve System (FED)?
4. What makes commercial banks safe?
5. What did the Glass-Steagall Act do to Commercial banks and investment banks?
6. What is the best Financial Institution to open an account with, and why?