

Chapter 21 – Banking and Credit

I-Study

An interest-bearing savings account with compounded interest is a good way to save for the future. A money market account pays a higher interest but requires a higher balance. Other ways to save and invest include savings bonds and certificates of deposit. You should start saving for your retirement right away. Types of retirement plans include 401(k) plans and individual retirement accounts (IRAs). Tax-deferred retirement plan options for the self-employed include Keogh plans and simplified employee pension (SEP) plans.

A check withdraws money from a checking account. If you have a checking account, you must manage it to be sure you have enough money to pay for checks and withdrawals. Each month, you should reconcile your check register with the bank statement. Other banking services include electronic funds transfer and online banking. Credit allows you to buy something now and pay later. Forms of credit include loans and credit cards. Advantages include convenience and the ability to make large purchases. Disadvantages include high costs and debt.

I-Quiz

- 1.** Money you put into your account is called a
 - A.** withdrawal
 - B.** balance
 - C.** deposit
 - D.** credit

- 2.** What is an IRA?
 - A.** Internal Revenue Association
 - B.** Invested Retirement Account
 - C.** Individual Retirement Account
 - D.** Interest Revenue Account

- 3.** What is the term for money you can use now, but must pay back later?
 - A.** credit
 - B.** collateral
 - C.** down payment
 - D.** deposit

Answer Key

1. C

2. C

3. A