

## Personal Finance © 2012

### Chapter 7: Banking

#### Check Your Answers: Section Assessment

##### Section 1

#### Review Key Concepts

1. For short-term needs: checking accounts and cashier's checks. For long-term needs: CDs and bonds, investment services, and budgeting.
2. Life insurance companies, investment companies, finance companies, and mortgage companies
3. Problematic businesses include pawnshops, checkcashing outlets, loan stores, and rent-to-own centers.
4. The Great Depression led to the failure of many banks and the creation of the FDIC.

#### Higher Order Thinking

5. Answers may vary but the students should realize that many banks offer free checking or savings accounts meaning you can cash a check for free.

#### 21st Century Skills

6. **Access and Evaluate Information** Answers will vary. Students should compile information from three financial institutions and show reasoning.

#### Mathematics

7. **Checking Account** Bank A interest earned =  $\$500.00 \times 1.00\% = \$5.00$ ; Bank A fees =  $\$0.00$ ; Bank A net interest earned =  $\$5.00 - \$0.00 = \$5.00$ ; Bank B interest earned =  $\$500.00 \times 2.75\% = \$13.75$ ; Bank B fees =  $\$0.75 \times 12 \text{ months} = \$9.00$ ; Bank B net interest earned =  $\$13.75 - \$9.00 = \$4.75$ ; Bank A is the better choice.

##### Section 2

#### Review Key Concepts

1. Costs: a minimum balance and a limited number of checks; benefit: higher interest rate
2. You should consider the rate of return, inflation, tax considerations, liquidity, restrictions, and fees.
3. Restrictions, fees, interest, and special services.
4. Deposits, checks, ATM withdrawals, debit card charges, interest earned, and fees.

5. I would use online service to monitor my account and a passbook with deposit slips and withdraw slips and ATM receipts to track transactions.

**Higher Order Thinking**

6. Sample answer: separate accounts, to avoid a minimum balance or for higher interest rates.

**English Language Arts**

7. **Savings Options** Answers will vary. Students may consider interest rates and access to their money.

**Mathematics**

8. **Annual Percentage Yield** 1 month =  $[(\$300 \times 3.5\%)/12] + \$300 = \$300.88$ ; 2 month =  $[(\$300.88 \times 3.5\%)/12] + \$300.88 = \$301.75$ ; 3 month =  $[(\$301.75 \times 3.5\%)/12] + \$301.75 = \$302.63$ ; 4 month =  $[(\$302.63 \times 3.5\%)/12] + \$302.63 = \$303.52$ ; 5 month =  $[(\$303.52 \times 3.5\%)/12] + \$303.52 = \$304.40$ ; 6 month =  $[(\$304.40 \times 3.5\%)/12] + \$304.40 = \$305.29$ ; Interest earned =  $\$305.29 - \$300 = \$5.29$ ; Annual Percentage Yield =  $(\$5.29 - \$0)/\$300 = 1.76\%$