

SAVINGS TOOLS NOTE TAKING GUIDE

	Total Points Earned
	Total Points Possible
	Percentage

Name _____

Date _____

Savings tools are:

List the five savings tools below.

1.

2.

3.

4.

5.

Why are savings tools secure?

F _____

D _____

I _____

C _____

What is the FDIC?

SAVINGS TOOLS PRESENTATION

My assigned savings tool is:

Definition:

Interest:

Accessibility:

Features:

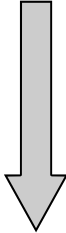
Additional Information:

Use this space to plan your presentation:

SAVINGS TOOLS	DEFINITION	INTEREST	ACCESSIBILITY	FEATURES	ADDITIONAL INFORMATION
CHECKING ACCOUNT					
SAVINGS ACCOUNT					
MONEY MARKET DEPOSIT ACCOUNT					
CERTIFICATE OF DEPOSIT					
SAVINGS BOND					

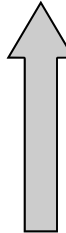
Most liquid _____

Least liquid _____



Highest interest _____

Lowest interest _____



Why is it important to understand the features of different savings tools?

SAVINGS TOOLS SCENARIOS

Savings Tools Scenario 1
Which savings tool would you recommend Mariah utilize and why?

Savings Tools Scenario 2
Which savings tool would you recommend Conner and Lisa utilize and why?

Savings Tools Scenario 3
Which savings tool would you recommend Sean utilize and why?

Savings Tools Scenario 4
Which savings tool would you recommend Brittany utilize and why?

Savings Tools Scenario 5
Which savings tool would you recommend Brian utilize and why?

Savings Tools Scenario 6
Which savings tool would you recommend Paul and Grace utilize and why?

SAVINGS TOOLS PRESENTATION RUBRIC

Name: _____

Date: _____

	Exemplary - 3	Satisfactory - 2	Unsatisfactory - 1	Rating	Weight	Score
Individual Participation	Participant put 100% of their effort into preparing an informative presentation. Participant worked well with other group members.	Participant put less than 100% of their effort into preparing an informative presentation. Participant worked well with other group members.	Participant put very little effort into preparing an informative presentation. Participant did not work well with other group members.		1	
Group Participation	Group members worked well together. All group members participated in the presentation.	Group members worked well together. All group members did not participate in the presentation.	Group members did not work well together. All group members did not participate in the presentation.		1	
Content	Participants discussed all four categories of information in their presentation, including definition, interest, accessibility, and features.	Participants only discussed three of the four categories of information in their presentation.	Participants discussed two or less categories of information in their presentation.		1	
				Total Points Earned		
				Total Points Available		9
				Percentage		

SAVINGS TOOLS

	Total Points Earned
43	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Please define the following terms. (1 point each)

1. Savings tool

2. Federal Deposit Insurance Corporation (FDIC)

Match the following savings tools with the correct definition. (1 point each)

- A. Certificate of Deposit
 - B. Checking Account
 - C. Money Market Deposit Account
 - D. Savings Account
 - E. Savings Bond
3. ____ Used to hold money not spent on current consumption.
 4. ____ A tool used to transfer funds deposited into the account to make a cash purchase.
 5. ____ A discount bond purchased for 50% of the face value from the government.
 6. ____ An interest earning savings tool allowing restricted access to the funds.
 7. ____ A government insured account offered at most depository institutions.

Please complete the following questions.

8. Name three ways to access funds in a checking account. (3 points)

9. Describe two features of a savings account. (2 points)

10. Name and define the type of interest rate used for a money market deposit account. (2 points)

11. What are two features of a certificate of deposit? (2 points)

12. Explain how savings bonds are purchased. (1 point)

13. Complete the chart below by listing the most liquid savings tool to the least. (5 points)

		Savings Tool
Most liquid	↓	1.
		2.
		3.
		4.
Least liquid	↓	5.

14. Complete the chart below by listing the savings tool with the highest interest rates to the lowest interest rate. (5 points)

		Savings Tool
Highest Interest	↓	1.
		2.
		3.
		4.
Lowest Interest	↓	5.

15. Why are savings tools secure? (1 point)

CHARACTERISTICS OF SAVINGS TOOLS

	Total Points Earned
10	Total Points Possible
	Percentage

Name _____

Date _____

Class _____

Directions: Complete the chart below by filling in the blanks. (2 points per cell)

Tool Name:	Characteristics:				
	Definition:	Interest:	Accessibility:	Feature:	Feature:
Checking Account	Allows cash purchases using money put into the account	May be either non-interest or interest earning (usually the lowest interest rate of the cash management tools)	1.	The most liquid because the money is considered cash	Less need to carry large amounts of cash
Savings Account	An account to hold money not being spent on consumption	2.	Easily accessible through ATMs, telephone, or Internet	May require a minimum balance or have a limited number of allowed withdrawals each month depending upon the financial institution	Store money for emergencies or temporarily hold money beyond daily living expenses
Money Market Deposit Account	Government insured account which is offered at depository institutions	Has a higher average rate of return than checking and savings accounts	Limited to a certain number of transactions each month	Customers usually have to deposit a minimum amount to open the account (\$1,000)	3.
Certificate of Deposit	4.	The interest rate will vary depending upon the specified time length	If there is an early withdrawal penalties are assessed	The time length usually ranges from seven days to eight years	Offered by depository institutions accepting deposits for a certain length of time
Savings Bond	A discount bond purchased for 50% of the face value from the U.S. Government	Any interest earned is tax exempt until it is redeemed; If it is used to pay for college, it is tax exempt when redeemed	Can be redeemed when the bond matures (i.e. a bond purchased for \$50 can be redeemed when it's worth \$100)	5.	For conservative, low-risk savers who like government secured savings instruments

COMPARING SAVINGS TOOLS ESSAY

Directions: Answer the questions that follow. After the questions have been answered, participants will write an essay explaining their savings tool choices.

1. Jane recently moved to a new city. She is adjusting her current spending plan to fit her new lifestyle. She needs to find new depository institutions and savings tools to fit her new financial needs. She already has a checking account to help her manage her everyday spending. She has \$3,000 she wants to use as an emergency fund. Although, she does not plan to use this money very often, Jane knows unexpected expenses always occur in life. Therefore, she wants to be able to have quick and frequent access to the account with the \$3,000 emergency fund. Jane also has \$500 that she wants to save to buy a new computer in one year; her goal is to not use this money in the next year, so she wants to get the highest interest rate she can. Jane has decided that she will deposit her money into a savings account, a money market deposit account and/or a certificate of deposit. Which savings tool(s) would you recommend Jane utilize and why?

2. Jane has been researching depository institutions in her new city. It is important to her she uses a depository institution with a location close to either her apartment or her place of work. Jane also wants to use a depository institution offering both in-person and ATM services. From these criteria, she has narrowed her search down to two depository institutions, Many Choices Credit Union and the Smart Savings Bank. Jane would be happy giving her business to either of these depository institutions. The following tables outline the major features of the savings accounts, money market deposit accounts, and certificate of deposits that Many Choices Credit Union and Smart Savings Bank offer to their customers. Analyze the features of each of the savings tools and determine which savings tool(s) Jane should use to save her \$3,000 emergency fund and \$500 computer fund. Explain your choices.

SAVINGS ACCOUNTS				
	Many Choices Credit Union Basic Savings Account	Many Choices Credit Union Regular Savings Account	Smart Savings Bank Basic Savings Account	Smart Savings Bank Premier Savings Account
Interest rate	0.15% compounded monthly	0.28% compounded monthly	0.25% compounded monthly	0.45% compounded monthly
Amount needed to open account	\$25.00	\$100.00	\$100.00	\$4,000.00
Minimum balance required	\$25.00	\$100.00	\$100.00	\$500.00
Fee if minimum balance is not maintained	\$1.00/month	\$2.00/month	\$2.00/month	\$9.95/month
Withdrawals Allowed	6 per month (\$1.00 for each withdrawal beyond 6)	6 per month (\$2.00 for each withdrawal beyond 6)	6 per month (\$2.00 for each withdrawal beyond 6)	6 per month (\$5.00 for each withdrawal beyond 6)
Other Features	24-hour ATM access	24-hour ATM access	FREE 24-hour access to account via Internet, telephone, or ATM	FREE 24-hour access to account via Internet, telephone, or ATM

MONEY MARKET DEPOSIT ACCOUNTS		
	Many Choices Credit Union Money Market Deposit Account	Smart Savings Bank Money Market Deposit Account
Interest rate	Tiered interest rate compounded monthly based on balance: <ul style="list-style-type: none"> \$1,000.00 - \$9,999.00 = 0.40% \$10,000.00 - \$25,000.00 = 0.90% \$25,000.00 or more = 1.40% 	Tiered interest rate compounded monthly based on balance: <ul style="list-style-type: none"> \$1,000.00 - \$9,999.00 = 0.45% \$10,000.00 - \$25,000.00 = 1.00% \$25,000.00 or more = 1.55%
Amount needed to open account	\$1,000.00	\$1,000.00
Minimum balance required	\$1,000.00	\$1,000.00
Fee if balance is not maintained	\$10.00/month	\$20.00/month
Withdrawals	3 per month (\$2.00 for each withdrawal beyond 3)	3 per month (\$5.00 for each withdrawal beyond 3)
Other Features	Check-writing capabilities (limited to 3 per month)	Check-writing capabilities (limited to 3 per month)

CERTIFICATE OF DEPOSITS		
Many Choices Credit Union		
Length of Time	Interest Rate	Minimum balance required to open and maintain account
1 month	0.50%	\$500.00
3 months	0.80%	\$500.00
6 months	1.25%	\$500.00
12 months	1.65%	\$500.00
24 months	2.15%	\$500.00

CERTIFICATE OF DEPOSITS		
Smart Savings Bank		
Length of Time	Interest Rate	Minimum balance required to open and maintain account
1 month	0.60%	\$10,000.00
3 months	0.90%	\$7,500.00
6 months	1.30%	\$5,000.00
12 months	1.60%	\$500.00
24 months	2.05%	\$500.00

3. Using the answers to questions 1 and 2, write an essay explaining the savings tools and depository institutions that you chose for Jane. The essay should be one page, typed, double-spaced, 12-font with 1–inch margins. The essay should answer the following questions:
- Which savings tool did you recommend Jane use to save her \$3,000 emergency fund? Why did you choose this savings tool and depository institution?
 - Which account did you recommend Jane use to save her \$500 computer fund? Why did you choose this savings tool and depository institution?
 - Did the type of savings tool you recommended for Jane change after you analyzed the specific features of each account?

COMPARING SAVINGS TOOLS ESSAY RUBRIC

Scoring	Exemplary - 3	Satisfactory - 2	Unsatisfactory - 1	Rating	Weight	Score
Content	Essay answers all three required questions.	Essay answers only two of the required questions.	Essay answers only one of the required questions.		3	
Accuracy of Content	Essay includes accurate information to support choices made.	Essay includes some accurate information to support choices made.	Essay does not include accurate information to support choices made.		3	
Grammar	Sentences are fluent and effective with very few errors in mechanics, punctuation, and word usage.	Sentences are usually controlled. There are minor errors in mechanics, punctuation, and word usage.	Sentences are generally adequate. There are lapses in mechanics, punctuation, and grammar.		2	
Quality	Assignment is easily read and neatly assembled with an introduction, body, and conclusion. Presentation quality is excellent.	Assignment is adequate. Answers may be missing, incomplete, or too brief. Presentation quality is adequate.	Assignment is incomplete. Answers show lack of attention. Presentation is sloppy.		2	
				Total Points Earned		
				Total Points Available		30
				Percentage		



SAVINGS TOOLS

Once an individual has determined how much money is appropriate for their savings fund, they must determine which savings tools to place their money in. **Savings tools** are secure and liquid accounts offered by depository institutions that assist in the management of a savings fund. The five most common types of savings tools are checking accounts, savings accounts, money market deposit accounts, certificates of deposit, and savings bonds.

**F
D
I
C**

Savings tools provide asset protection because they are very secure. Most depository institutions offering savings tools are backed by government insurance. The most common type of government insurance is offered by the **Federal Deposit Insurance Corporation (FDIC)**. FDIC is a federal government agency that insures member depository institutions against loss. If a depository institution covered by FDIC fails, FDIC will restore the lost funds up to \$250,000 per account. As long as there is not more than \$250,000 in any single account, then the owner of the account will receive the entire value of their account.

It is important to determine which savings tools are appropriate to assist in the attainment of personal financial goals.

CHECKING ACCOUNT

DEFINITION:

Checking accounts could also be named a transaction account because it is a tool used to transfer funds deposited into the account to make a cash purchase.

ACCESSIBILITY:

A checking account is the most liquid of all the savings tools because the money is considered cash. The funds are easily accessed through a check, an automated teller machine (ATM), a debit card, the telephone, or Internet.

INTEREST:

Checking accounts may be either non-interest or interest earning. If they are interest earning, the interest rate is usually the lowest available for any of the savings tools.

FEATURES:

Checking accounts are available at depository institutions. They are popular among consumers because they reduce the need to carry large amounts of cash. Many different types of checking accounts are available and the requirements for each one are different. Some require a minimum balance, charge transactions fees, or have limits on the number of checks written each month. Many of the checking accounts available for participants are free which means there are no minimum balance requirements and it allows unlimited check writing.

Before opening a checking account, learn all of the requirements and restrictions.



SAVINGS ACCOUNT

DEFINITION:

A **savings account** is an account to hold money not spent on current consumption. It allows for frequent deposits and withdrawals of funds, is easily accessible, and can be used as a place to store money for emergencies or to temporarily hold money not needed for daily living expenses.

INTEREST:

Savings accounts are interest-earning, but have lower interest rates compared to other savings tools except checking accounts.



SAVINGS ACCOUNT, CONTINUED

ACCESSIBILITY:

Savings accounts are more liquid than everything except checking accounts because a consumer can easily get money out of a savings account in a few minutes. They are accessible through the depository institution, ATMs, telephone, or Internet.

Requirements of a savings account will vary depending upon the depository institution.

FEATURES:

Savings accounts are available at depository institutions. Requirements of a savings account will vary depending upon the depository institution. For example, some savings accounts may have minimum balance requirements. However, the federal government mandates that savings accounts allow six electronic withdrawals each month. If this electronic withdrawal limit is reached, the owner of the savings account will be charged a fee for every transaction exceeding the limit. The amount of the fee depends upon the depository institution. Before opening a savings account, consumers should be aware of all requirements, restrictions, and fees associated with the account.

MONEY MARKET DEPOSIT ACCOUNT

DEFINITION

A **money market deposit account** is a government insured account offered at most depository institutions.

INTEREST

Money market deposit accounts offer tiered interest rates. **Tiered interest rates** mean the amount of interest earned depends on the account balance. For example, a balance of \$10,000 will earn a higher interest rate than a balance of \$2,500.

ACCESSIBILITY

Money market deposit accounts have a minimum balance requirement and are limited to a certain number of transactions each month (less than a savings account). Therefore, money market deposit accounts are less liquid than checking and savings accounts.

FEATURES

Customers are usually required to deposit a minimum amount to open a money market deposit account (typically \$1,000). If the average monthly balance falls below a specified amount, the entire account will earn a lower interest rate. Money market deposit accounts have a higher average return than checking and savings accounts; less liquidity is a trade-off for a higher return.

CERTIFICATE OF DEPOSIT

DEFINITION

A **certificate of deposit (CD)** is an insured interest earning savings tool that allows restricted access to the funds. The deposits in CDs have to be held for a certain length of time, which can range from seven days to eight years.

INTEREST

The interest rate of a CD varies depending upon the specified time length and amount of money deposited. In most cases, the longer the length of the CD and the higher the deposited funds, the higher the interest rate will be.

The interest rate on a CD is determined by the duration of the deposit and the amount of money deposited.

ACCESSIBILITY

CDs are less liquid than checking, savings, and money market deposit accounts. If the funds are withdrawn before the end of the designated time period, the owner of the CD will be assessed large penalty fees.

FEATURES

CD's are offered by depository institutions. If the funds are held for the designated time period, then CDs are simple with no risks and no fees. The deposits in a CD can range from \$100 to \$250,000. A person would not want to exceed \$250,000, because the funds would no longer be insured.

SAVINGS BOND

DEFINITION:

A bond is similar to a loan but is given to a company or the government. There are many different types of bonds available but only one is considered a secure savings tool. A **savings bond** is a discount bond purchased for 50% of the face value from the government. For a \$100.00 savings bond, a person would invest \$50.00.

INTEREST:

Savings bonds are redeemed once they double in value. The amount of time it takes a savings bond to double in value depends on the current interest rate offered.

ACCESSIBILITY:

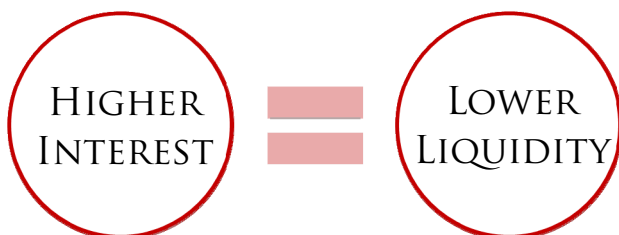
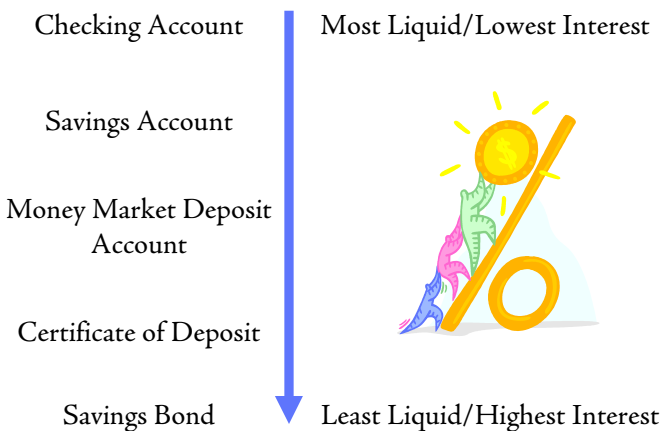
Savings bonds are the least liquid of all the savings tools. Access to funds is restricted.

Savings bonds are the least liquid of all the savings tools.

FEATURES:

Savings bonds are affordable and safe because they are backed by the U.S. government. They can be purchased for \$25.00–\$10,000.00. Savings bonds offer certain tax benefits. Interest earned is exempt from being taxed until the bond is redeemed. If the bond is used to pay for college, it is tax exempt when redeemed.

LIQUIDITY AND INTEREST



HIGHER INTEREST RATES ARE A TRADE-OFF FOR LOWER LIQUIDITY.

CHOOSING A SAVINGS TOOL

Different savings tools can be used to assist an individual in reaching personal financial goals. Higher interest rates are a trade-off for lower liquidity. Therefore, when and how often an individual needs access to their funds will help determine which savings tools to use. For example, if an individual has a goal to develop an emergency savings fund of \$2,000, they would want to use a very liquid account to allow the money to be used for unknown emergency situations. A savings account would work well to help reach this goal, because the funds in a savings account are very liquid and accessible in emergency situations. However, if a family wants to save for a vacation in one year, the money being saved does not need to be liquid for an entire year. Therefore, the family could utilize a CD or savings bond with a maturity date one year in the future. By understanding the features of different savings tools, an individual can choose which tools will help them reach their financial goals.

DEPOSITORY INSTITUTIONS

It is important to understand specific features of savings tools will vary among different depository institutions. Every depository institution will offer different interest rates, accessibility options, fees, penalties, and minimum balance requirements for the same type of savings tool. Therefore, once the appropriate savings tool has been selected, it is important to research and compare that savings tool at different depository institutions in order to find the best option. Keep in mind an individual is not limited to one depository institution. An individual can choose to have different savings tools at different depository institutions.