OKLAHOMA STATE DEPARTMENT OF EDUCATION
CHAMPION EXCELLENCE

Finding Financial Services

Standard 3

The student will describe the functions and uses of banks and other financial service providers.

Lesson Objectives

- Identify the most common types of financial service providers.
- Explain the services offered by different financial institutions.
- Determine which kinds of financial service providers and services are appropriate in different situations.
- Evaluate the costs and benefits of using financial services.

Personal Financial Literacy Vocabulary

ATM (automatic teller machine): An electronic machine that bank customers and credit union members can use to withdraw cash and make other financial transactions.

Automatic deposit: The deposit of wages or other income directly into a customer's bank account.

Bank: A state or federally chartered, for-profit business owned by stockholders that provides savings accounts, checking accounts and other financial services to its customers.
Check cashing services: An institution that cashes checks for a fee.

Checking account: A bank or credit union account that allows withdrawals by writing a check.

Credit card: A plastic card authorizing the delivery of goods and services in exchange for future payment with interest.

Credit union: A state or federally chartered, not-for-profit financial cooperative that provides financial services to its member-owners who meet specific requirements.

Debit card: A plastic card used to deduct a purchase amount directly from a checking account; also called a check card.

Financial services: The different kinds of services provided by financial institutions such as banks, credit unions, insurance companies and other similar businesses.

Financial institution: Any business providing financial services.

Insurance company: A company that guarantees compensation for specific forms of loss, damage, injury, or death.

Investment bank: A business that participates in buying and selling stocks, corporate bonds and government bonds.

Money transfer: The process of moving money from one account to another account.

Mortgage company: A company that make loans for the purchase of a house or other real estate.

Online banking: The process allowing customers to make financial transactions on a secure web site operated by their financial institution; also called Internet banking.

Overdraft: A description of what happens when a withdrawal (checks, ATM, etc.) is greater than the amount of money in a checking account.

Overdraft protection: A bank account feature that provides an automatic loan from the financial institution to cover overdrafts.

Safety deposit box: A protected location in a secure bank vault where individuals can store records or valuables for a small fee.

Savings account: An interest-bearing account at a financial institution.

Stock brokers/stock brokerage firm: Individuals/companies who buy and sell stocks for investors.

Conney has an account at a bank close to her house. She uses her debit card and the bank's online services to monitor her balance. She saves money by using her debit card because her bank charges 20¢ for every check she writes, but has no charges for debit card transactions.

Mino has a checking account at a credit union. He prefers to write checks instead of using a debit card because it is easier for him to track his spending. The credit union has online banking, but Mino does not use it.

Martin does not like banks. He thinks they charge too much, and he is not sure that his money is safe there. He uses a check cashing service for cashing his check, money orders for payments, and cash for local purchases.

Which one of these three has made the best choice?

Lesson

Financial service providers is a generic term used to describe all of the different types of businesses similar to a bank. Using just the word "bank" or "bank account" targets a specific kind of financial service provider and a specific kind of financial service. While banks are the most common type of financial service provider, they are only one part of the financial industry in the United States today.

The financial services industry in the United States today is complex and includes numerous kinds of institutions that provide a vast array of financial services. Some of the more common ones are banks, credit unions, insurance companies, stock brokerage firms, mortgage companies, and investment banks. Why so many? The answer is simply that customers want a variety of services and the industry has expanded in an attempt to meet those wants. In addition, technology has allowed an expansion of services and changed the way financial institutions provide those services. This expansion has also increased the level of competition among the different service providers, making the industry more diverse and specialized.

REMINDER

Banks and Credit Unions both provide financial services. With the exception that banks are private and credit unions are nonprofit organizations owned by the people.

The term "financial services" became popular in the 1990s because of changes in federal banking laws. Using this term better describes all of the services and products now available from financial institutions. Over 90 percent of the people in the United States have a bank account of some kind. It may be a transaction account, commonly called a checking account, or a savings account, which is an account used to save money. (Note: Even if you only use a debit card instead of writing checks, your account is still called a checking account.) Most of these accounts are either in a bank or a credit union.

A bank is an organization chartered (another word for licensed) by either the state where it is headquartered or by the federal government. Credit unions are similar, except they are nonprofit organizations owned by the people who use their services. They too are licensed by either the state or federal government. Today, banks and credit unions provide basically the same kind of services for their customers.

The financial services provided by these institutions include:

- Checking accounts
- Savings accounts
- Interest on checking deposits
- Automatic deposit and payment
- Credit cards
- Debit cards
- ATMs
- Online banking
- Storage of valuables (safe deposit boxes)
- Money transfers, and
- Overdraft protection.

Choosing Financial Services

Deciding which financial services and financial providers to use can be challenging. While it might seem easier if you had only one or two services or providers to choose from, you may not find the best service or provider. If a financial provider wants to keep its customers, it must offer the services they want. Otherwise, those customers will go somewhere else. In return, customers are often required to pay different types of fees to offset the cost of providing the services they use. The fees are part of the costs for you to consider when making financial choices. Fees often vary from one financial institution to another, making it important for you to understand what fees and services are offered before choosing where to keep your money.

The expansion of online banking services by banks and credit unions is one of the most common technological advances in the financial industry. Having remote access to your account from your home computer or your mobile phone allows immediate availability 24/7. With this service, you can review your checking or savings account balance, track your spending, or transfer funds from one account to another. In addition, you can pay your bills, make deposits, and even apply for loans. Keep in mind, however, you still need to reconcile your account monthly to be sure your financial institution has not made any mistakes in your account. And also remember that the balance shown at the bank may not reflect any recent purchases with a debit card or check. However, you need to be sure you are accessing your account in a safe place with a secure Internet connection. Using an unsecured connection may allow someone else to access your account and your money.

Conclusion

The number of financial service providers has increased as people's needs for services have increased. The rapid growth of technology has made it easier for more companies to provide services, and it has changed the kinds of services people want. While having so many options can seem overwhelming, it allows people to comparison shop. The quality of service, the types of services, and the fees charged for services can vary from one provider to another. Being informed will help you find the types of services you want and need, and save money getting them.

FINAL NOTE: If you said Conney or Mino, you are right!

For most people, there is little difference between using a bank or a credit union. Having a checking or savings account is a good way to build a relationship with a financial service provider. Continuing to use check cashing services and money orders is much more costly than learning how to manage an account at a bank. Plus, keeping all of your money in cash is very risky!

This lesson was written and created by Oklahoma educators in partnership with Oklahoma Council on Economic Education

Name:__________________________________Class Period: _________________________________

Finding Financial Services Review 3.1

Answer the following questions and give the completed lesson to your teacher to review.

1. List three types of financial institutions and the services they provide.

2. Identify four financial services that allow you to pay for goods and services.

3. How could you pay for an item and not use cash or a check?

4. What are benefits of using online banking instead of a check?

Name:________________________________Class Period: ______________________________

Making a Financial Match Activity 3.1A

Review the vocabulary at the beginning of this lesson to help you complete this activity. Place the letter of the correct service beside the financial institution it matches.

Financial Institution

_____Bank

_____Credit Card Company

_____Insurance Company

_____Stock Brokerage Firm

_____Investment Bank

_____Credit Union

_____Mortgage Company

_____Stock Brokers

Services

A. Companies that buy and sell stocks for investors.

B. An institution that participates in the primary markets for the sale of newly issued stocks and corporate and government bonds.

C. A for-profit company that is owned by its stockholders and provides checking accounts and other financial services.

D. A company that make loans for the purchase of a house or other real estate.

E. An organization that issues credit cards to credit card holders.

F. A company that guarantees compensation for specific forms of loss, damage, injury or death.

G. A state or federally chartered not-for-profit financial cooperative that provides financial services to its member -owners who have met specific employment, resident, or other eligibility requirements.

H. Individuals who buy and sell stocks for investors.

Which financial institution and/or services would you use…

- If you have bills to pay? ________________________________
- If you want to save money? ______________________________

- If you want to start saving money for college? ________________________________
- If you want to get cash when the bank is closed? ________________________________
- If you have a valuable coin collection? ________________________________

Name:_______________________________Class Period: ______________________________

Finding Financial Services Activity 3.1B

Use the chart above to help you decide which financial service you should use for each of the following situations. Be sure to mention the costs and benefits of the financial service you choose.

Financial Services	Benefits	Costs
Checking accounts	Provides a safe place for your money; allows you to withdraw you money.	Pays no interest or very low interest.
Savings accounts	Helps you accumulate and save money while earning a small amount of interest.	Interest may vary, may have a limited number of times per month to withdraw your money.
Automatic deposit and payment	Do not have to write or cash checks; no postage to send payments; bills can be paid on time; no need to take your pay check to the bank.	Makes money more abstract because you never see it; need to monitor account for accuracy; must be sure you have enough money in your account before spending.
Credit cards	Allows you to buy now and pay later; safer and more convenient than carrying cash.	Temptation to spend more than you should; must track how much money you are spending; must pay interest unless you pay the full amount each month.
Debit cards	More convenient than carrying cash; you can only spend what you have in your account.	Your spending is limited to the balance in your account; if you have overdraft protection, you may be charged fees for exceeding your balance.
ATMs	Allows convenient access to your money almost anywhere in the world	May be charged fees or interest, so must read carefully before using; fees and interest vary depending upon the machine and situation.

Online banking	Safer than mailing a check; can pay all of your bills and save postage.	Makes money more abstract because you never see it; need to monitor account for accuracy; must be sure you have enough money in your account.
Safe deposit boxes	Allows you to keep valuables safe from fire, tornadoes and floods.	Yearly fee; only assessable during banking hours; in case of death, box cannot be opened until inspected by the government.
Money transfers	Allows you to easily move money from one account to another, e.g., from your savings to your checking account.	If it is a wire transfer, you will have to pay a fee; if you transfer from your savings to your checking account, you lose interest on your savings.
Overdraft protection	Keeps you from "bouncing a check" and paying related fees for withdrawing more money from your checking account that you have in it.	Most financial institutions charge overdraft protection fees or interest on the amount needed, even though these fees may be less than the overdraft fees.

1. You have gotten your first job and you want to save some money for a car.

    Type of service(s):

    Benefits:

    Costs:

2. You are on a trip and you need cash on a weekend.

    Type of service(s):

    Benefits:

    Costs:

3. You discover that you do not have enough money in your checking account for the purchase you made using your debit card.

Type of service(s):

Benefits:

Costs:

4. You need to buy a new battery for your car. It is the end of the month and your checking account balance is a little low. You know you will be paid next week.

Type of service(s):

Benefits:

Costs: