



the  
**ACCOUNTS**  
issue

**MONEY**  
**MATTERS**  
REAL | MONEY | LIFE





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# Things that make you go hmmm....

**Bank Accounts - What kind of bank accounts are right for you.**

## Printing Your Checks

Learn what information you should ever print on checks.

## ATM Cards = Danger?

What you need to know about using ATM cards!

# THE ACCOUNTS ISSUE

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# INTRODUCTION

This module covers the types of accounts that banks offer, the advantages of the different types of accounts, and additional features offered on those accounts such as ATM or debit cards. There are many different types of accounts and products offered by banks and credit unions, such as checking accounts, savings accounts, certificates of deposit (CDs), and money market accounts. The FDIC insures each individual customer account up to \$250,000 per individual. This safeguard makes a bank a safe and secure place to keep your money.



# TERMS TO LEARN

## ACH (Automated Clearing House)

The Automated Clearing House is an automated electronic network that exchanges funds via Electronic Funds Transfer (EFT) throughout the U.S. fifty states and DC. Over 98% of the nation's financial institutions, including the Federal Reserve Banks, belong to the ACH. The ACH only processes electronic transfers. Mutual savings are bank owned by their depositors and stock savings banks issue common stock to the public.

## ATM (Automated Teller Machine)

A computer terminal that allows automatic banking transactions at various locations. To obtain money from an ATM machine, an ATM card from your bank and a PIN (Personal Identification Number) assigned to your card are required. Some credit cards may also be used for cash advances at ATMs.

## ATM Card

A plastic card used in an Automated Teller Machine (ATM) to withdraw funds from an account, deposit to an account, or transfer funds between accounts within a bank.



## Bank

An establishment for lending, issuing, borrowing, exchanging and safeguarding money.

## Charge-off

A loan or credit card debt written off as uncollectible from the borrower. The debt, however, remains valid and subject to collection.

## Check

Any written document instructing a bank to pay from a writer's account. Most checks are not paid in cash but by a subtraction or addition to a depositor's account.

## Check Register

Log, book, or journal where each check, debit card transaction, fee, deposit, or credit to an account is posted.

## Cleared

A check that has "cleared" the bank has been paid by the bank and deducted from your account.

## Credit Card

A plastic card with a coded magnetic strip. When signed, the card entitles its bearer to a revolving line of credit, with a credit limit and interest rate set by the card issuer and determined in part by the borrower's income and credit report.

## Credit Union

A credit union is a members-only, non-profit organization similar to a bank. The credit union, in most cases, charges lower interest rates for its services and pays higher interest rates on money deposited than a typical bank.

## Debit Card

A plastic card with a magnetic strip, which is used to automatically deduct money from a bank account to pay for goods or services. It usually looks just like a credit card, but deducts funds from your account immediately.

## Electronic Funds Transfer (EFT)

The transfer of funds from one bank account to another bank account utilizing the ACH network.

## Federal Deposit Insurance Corporation (FDIC)

An independent agency created by congress in 1933, the FDIC supervises banks, insures deposits up to \$250,000 and helps maintain a stable and sound banking system.

## Federal Reserve System

The central bank of the U.S. It has evolved into a network of twelve Federal Reserve Banks, which are the operating arms of the central bank. Each serves a geographical district of the country. Some of their responsibilities include clearing checks, processing



electronic payments, and distributing coin and money paper to nation's bank, credit unions, savings and loan associations, and savings banks.

## Interest

A fee paid for the use of money, or paid into a bank account.

## Liquidity

Liquidity is the ability to convert an investment to cash, without risk of loss, whenever needed.

## Non-Sufficient Funds (NSF) Check

A check that has been returned by the banking system due to not having enough money in the bank account. NSF check result in penalties and/or fees charged by the bank.

## Overdraft Protection

Protects against overdraft fees if an account is overdrawn. Some overdraft protection is treated like a loan; you will repay the bank for the overdraft amount plus interest. Overdraft protection should only be exercised in an emergency, not used regularly to cover a "hot" check.

## Personal Identification Number (PIN)

A code number used in conjunction with a bank card to enable an account holder to use certain computerized systems, such as ATMs or cash dispensers.

## Saving

The process of setting aside a portion of current income for future use.

## Savings Account

An account set up for the purpose of accruing interest, maintaining cash for emergencies, and for accumulating dollars for short-term necessities and larger planned purchases.

## Savings and Loan

A state or federally chartered savings bank.

## Savings Bank

A type of depository financial institution that accepts consumer deposits and invests these funds primarily in residential mortgages and high-grade securities. Mutual savings banks are owned by their depositors and stock savings banks issue common stock to the public.

## Voided Check

This is a check that has the word “void” printed across the front by the owner. A check may be “voided” because an error was made while filling it out or because a voided check is required to set up an automatic bill payment or direct deposit plan.

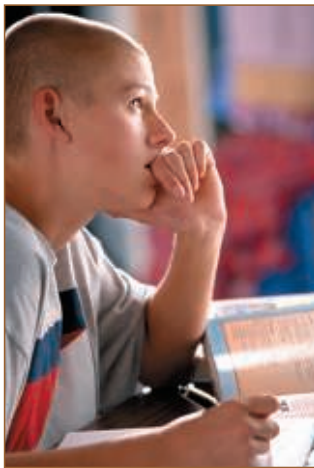


# FDIC INSURANCE

FDIC insurance is there to protect you and your savings. Put your money in the bank and sleep well. Within the set limits, your money is safe.



One of the advantages of holding an account with a bank is that all banks are required to be FDIC insured. FDIC insurance protects against loss if a banking institution fails. This means customers will be able to recoup their assets held with the failed institution. The FDIC insures each individual customer account(s) up to \$250,000 per individual.



In a joint account, each individual's share of the account is insured up to \$250,000. For example, if husband and wife own a joint account with a balance of \$500,000, and no other joint

accounts exist at the same insured bank, each spouse would be insured for \$250,000 in the joint account. If they jointly own multiple accounts at the same

bank, the husband would be insured on his half of the total of all the joint accounts, up to \$250,000, and the wife would be insured on her half of the total of all joint accounts, up to \$250,000.

The National Credit Union Administration insures credit union deposits up to the same \$250,000 as the FDIC and is also backed by the United States government. FDIC insured banks and savings institutions will insure up to \$250,000 on certain retirement accounts.



For more information on FDIC go to <http://www.fdic.gov/>





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# CHECKING ACCOUNTS

A checking account is a safe place to temporarily house your money. It allows you to conveniently use the money by writing checks or authorizing drafts against your account.

## ADVANTAGES

### Safety

It's a lot safer to carry a checkbook than to carry a pocket full of cash.

### Greater control over spending

You are less likely to write a check than you are to spend the cash in your pocket.

### More information

Use your checkbook and monthly account statements to track monthly expenses.

### Interest income

Some accounts pay interest, so you can earn a little money while storing the money in the bank.

Having a checking account does not mean it a "free ride." It takes some work to make sure you know how much money is in your account, down to the last penny. To do so, you must balance the account when the bank statement arrives each month. It is extremely important to maintain an accurate check register. All checks and automatic drafts must be entered. Make sure to immediately record fees charged to the account, such as those for ATM transactions or ordering new checks.

## DISADVANTAGES

### Penalties

If you do not have enough money in your account to cover the checks you write, you will be required to repay the face value of the checks plus a penalty imposed by the bank. This would be considered an overdraft fee. The recipient of the check may also charge a fee called an NSF charge (non-sufficient funds).

When this happens, it is called "bouncing a check." Bouncing checks could affect your credit rating and may get you into legal trouble. Overdraft protection can help prevent this. Check with your bank or credit union representative for information on overdrafts and overdraft protection before opening an account.



# OPENING A CHECKING ACCOUNT

Before opening a checking account, shop around. Banks, savings and loan offices, and credit unions all offer checking accounts. Find one that has low fees and minimum balances.

Choose a bank location that is convenient for you. If the best rates are available at a bank far away from your home, you can bank by mail, especially if they offer online banking and have ATM access in your area.

You will need these items to open an account:

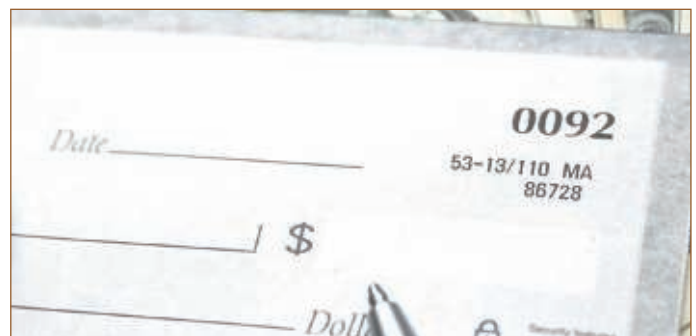
- Identification - Proper identification is an unexpired, government-issued ID that contains both a picture and the signature of the holder, such as a driver's license or passport.
- Date of birth, address, and social security number
- You will sign a signature card and application, which will identify your signature for this account. This is for your protection. Joint accounts will require both account holders' signatures.
- Most banks require a deposit be made when the account is opened. The minimum amount will depend on the individual bank. Check with a bank representative.



Be sure to read all the information the bank gives you regarding the privacy of your account and personal information. After you set up a checking account, you will receive a box of checks. Make sure the personal information listed on the checks is not more than is absolutely necessary. The absolute minimum would be your name and address.

For security purposes, these things should never be listed on your checks:

- Social Security number
- Driver's license number
- Date of birth
- Telephone number



## JOINT CHECKING ACCOUNTS

A joint checking account is an account in which more than one person has ownership of the money in the account. A joint checking account requires a commitment by each person to keep the other informed of checks written and deposits made to avoid bank fees, bounced checks, and other mix-ups.



# USING YOUR CHECKING ACCOUNT

After you set up a checking account, you must take care of it.

Here are a few tips:

- Always keep track of how much money is in your account. In the check register, write down the amount of each check, deposit, service charge or fee, ATM withdrawal, and automatic bank draft.
- Subtract or add the amount of the outgoing funds or incoming deposits, so the balance accurately shows how much money is in the checking account.
- When filling out your register, be sure to write so you can read it.
- It is very important to fill out your register at the time you write the check, make a deposit, or withdraw money, so your account balance will always be accurate. Don't trust yourself to remember it later. All too often, it will be forgotten.



You will need to fill in the required information, including: (See example above)

- A. The date the check is written.
- B. The organization or person to whom you are writing the check.
- C. The numerical check amount, for example: \$57.50.
- D. The check amount written in letters (show cents as a fraction of 100). Begin writing at the far left side of the line and fill the unused area after the amount with a line. This will prevent someone from adding anything to the beginning or end of the amount.  
For Example: Fifty-Seven and 50/100-----.  
Ensure that the information in C and D match.
- E. The memo line (this is a good place to note the reason for writing the check).
- F. Your signature.

## WRITING CHECKS

When writing a check, be sure to fill out each line legibly.

Always remember to record your checks in your checkbook register at the time you write the check so you can accurately balance your checkbook.

There is certain information about you the bank always preprints on your checks:

- Your Name
- Your Address
- Check Number
- Financial Institution's Name and Address
- Routing Number of the Financial Institution (first series of numbers)
- Account Number (second series of numbers following the routing number)



# RECORDING ACTIVITY IN THE CHECK REGISTER

Item No.	Date	Description of Transaction	Payment, Withdrawal, or Free Amount	✓	Code	Amount of Deposit or Interest	Balance
A	B	C	D	E	F	G	H
		(what the Check is for)					

Record the following information in the columns indicated above:

### A. ITEM NO.

The check, deposit, or other transaction number, if there is one.

### B. DATE

The date on which you wrote a check, made a deposit, withdrew money, or were charged a fee.

### C. DESCRIPTION OF TRANSACTION

The organization or person to whom you wrote the check. In the blank space given, write the purpose of the check.

### D. PAYMENT, WITHDRAWAL, OR FEE AMOUNT

The amount of the transaction.

### E. CHECK MARK

Mark this column as you are reconciling (balancing) your checkbook.

### F. CODE

This optional column is to help you record the type of transaction. (codes are listed in the register)

### G. AMOUNT OF DEPOSIT OR INTEREST

This column is for your deposits, any interest earned on your account, or any other credits to your account.

### H. BALANCE

Calculate the balance each time you record a transaction by adding or subtracting as appropriate.

## Balancing Your Checkbook

The best time to balance your checkbook is when you receive your monthly bank statement. The fewer transactions you have incurred since the date the statement was prepared by the bank, the quicker

your reconciliation will go. This process may scare you, but it must be done. The steps to balancing your checkbook are covered in The Checkbook Issue.



# ATM/DEBIT CARDS

ATM cards are usually issued for your checking account. They enable you to retrieve cash directly from your checking account by using an ATM machine. The ATM card is inserted into the machine, you enter a Personal Identification Number (PIN) assigned to you, and then you follow the directions on the screen.

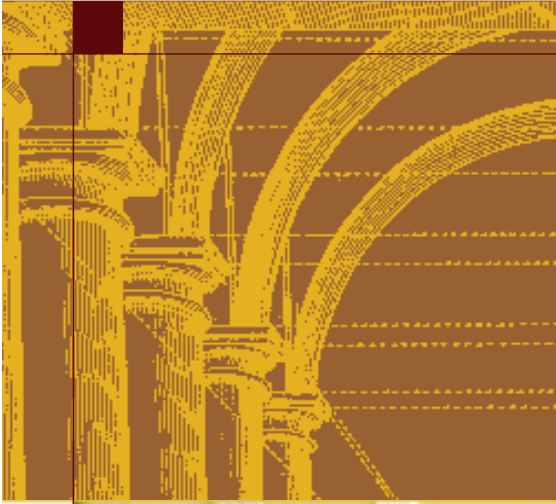
Many ATMs charge for this service. You must be sure to subtract in your checkbook register the amount of money received from the ATM plus any fees. Many ATM cards can be used as debit cards to pay vendors without writing a check. When you pay a vendor with a debit card, the payment is pulled directly from your bank account.

This is not a pay-later option, as it would be with a credit card. With a debit card, you pay now. Most debit cards require a PIN. A PIN-based or direct debit card removes the purchase amount from your checking account almost immediately.

A signature-based or (deferred) debit card has a Visa or MasterCard logo. These cards are accepted anywhere Visa and MasterCard are accepted. Hand the clerk your card, sign a sales slip, and you're done. The purchase amount for a signature-based card will be removed from your bank account in two or three days. Always record debit card purchases in your checkbook register immediately after you make them.







# ONLINE BANKING

Online banking allows you to do your banking right from a computer at home or elsewhere. You can access all your banking information through the internet. It is as easy as point and click. Most banking institutions that offer online banking have options to:

- Review account history
- Transfer funds between accounts
- Reorder checks
- Issue stop payments
- Purchase savings bonds
- Change addresses
- View bank statements

Many institutions offer online bill paying through the bank's website. The online banking features available might influence which banking institution you choose. Make sure the bank's online account offers the features you want before establishing an account with the bank.



# SAVINGS ACCOUNTS

The purpose of a savings account is to accumulate money for emergencies and other short-term needs. Savings help you avoid the unnecessary use of credit by allowing you to have reserve funds. A well-managed savings program is a good way to learn to “pay yourself first.”

The best way to start saving is by depositing a certain amount of money to your savings account directly from your paycheck, or ask your bank to transfer an amount each month from another account into the savings account. If these choices aren't available, an automatic bank draft can be used. Automating this deposit is the best way to ensure you pay your self first. The fixed amount of money used to open a savings account is called the principal.

To take money out of your savings account, some banks issue checks. With savings accounts that do not issue checks, you can transfer money into your checking account and write checks from there. You may also make a withdrawal through the tellers or access the funds through an ATM. Many banks offer online services so you can take care of these transactions over the internet.

Some banks may have a limit to the number of checks or transactions that can take place in a savings account per month. The bank may charge a fee for exceeding the limit. Some banks may also charge monthly fees unless a minimum balance is maintained in the savings account. Check with your bank for any restrictions on your savings account.

## Effects of Inflation

Inflation will affect your purchasing power. For example: If you deposit \$1,000 into a savings account that pays interest of 2.0% at the end of the year it will be worth \$1,020.00. However, if inflation for that year was 1% then the amount of goods and services you could purchase was reduced by \$10.00.

So your original \$1,000 is now only worth \$990.00. Even when inflation is low, we tend to forget that it is still gnawing away at our purchasing power.

*It is best to keep only the amount needed for emergencies or short-term needs in savings and look for a better option for long term investing.*

## Opening a Savings Account

You will need the following to open up an account:

- Identification: Proper identification is an unexpired, government-issued ID that contains both a picture and the signature of the holder.
- Date of birth, address, and Social Security number
- You will sign a signature card and application, which will identify your signature for this account. This is for your protection. Most banks require a deposit when the account is opened. Check with a bank representative to see if a deposit is required.

### NOTE:

Be sure to read all the information the bank give you regarding the privacy of your account and personal information. If others will sign on the same account, the same information will be required from each of them.





## Certificates of Deposit (CD)

A certificate of deposit is a receipt from a bank acknowledging the deposit of a sum of money. It entitles the owner to receive a specific interest rate during a specific period of time. It can be issued in any denomination.

### CD FACTS

- The maturity date will tell you when to expect to get your principal (the original amount) back along with the interest earned.
- CDs can be issued for 30, 60, 90, or 182 days, 18 months, or 1, 2, or 3 years. Check with your bank to see what terms and interest rates they offer.
- CDs usually offer a higher interest rate than a savings account.
- CDs issued for higher denominations and held for longer periods of time will usually have higher interest rates.
- CDs can be individually or jointly owned. Penalties may be assessed if funds are withdrawn before the maturity date.
- FDIC insures CDs up to the maximum allowed by law.
- Like savings accounts, CDs are good for short term needs. Unlike savings accounts, they are not good for emergencies because the money will only be available without penalty at the time of maturity.

## Money Market Accounts

A money market account is a type of savings account that may pay slightly higher interest than a regular savings account.

### MONEY MARKET FACTS

- A money market account is a federally regulated savings account with limited withdrawal abilities.
- These accounts usually pay a higher rate of interest if you maintain the required average or minimum balance.
- Interest is compounded daily and credited to the account at the end of each statement cycle.
- These accounts are primarily used for monthly or emergency savings. They are also ideal for accumulating money for short-term goals.

# CONCLUSION

There are many different types of bank products available to help you pay your bills and save money for short-term goals. The extra protection of being insured by the FDIC makes it easy to choose the right products to fulfill your checking and savings needs. Whether you open an account at a bank or credit union, having a checking account is the first step towards effectively managing your money.

