What is a Depository Institution?

Depository institution – businesses that provide financial services

What is the name of one depository institution in your community?
Meet Josie

Senior in high school

Has been accepted to a university 3 hours from home

Making important decisions about her future, especially regarding money

Looking for a safe place to store her money and pay her bills while at college
Help Josie manage her money by choosing a depository institution

Found two depository institutions in her hometown that also have branches near her college

She has summarized their information on the “Josie’s Depository Institution Comparison Chart”

Your mission:
Learn more about Josie and depository institutions to help her make the best choice
## Types of Depository Institutions

<table>
<thead>
<tr>
<th>Two types of depository institutions are:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commercial Bank</strong></td>
<td><strong>Credit Union</strong></td>
</tr>
<tr>
<td>For-profit</td>
<td>Not-for-profit – owned by members</td>
</tr>
<tr>
<td>Open to anyone who wants to utilize a depository institution</td>
<td>Have membership qualifications – members must share a “common bond”</td>
</tr>
<tr>
<td>Offer numerous financial services</td>
<td>Offer many services but usually not as many as a bank</td>
</tr>
<tr>
<td>Usually the largest depository institutions</td>
<td>Are often able to pay higher interest rates and charge lower fees</td>
</tr>
</tbody>
</table>

Each type is unique – choose what is best for you
Josie -
What type of depository institutions has she chosen?

- Is Option 1 a bank or credit union?
  - Bank!
  - Why?
    - Open to anyone

- Is Option 2 a bank or credit union?
  - Credit Union!
  - Why?
    - Membership requirements
Location

Can be an important factor when choosing a depository institution

| Physical location or only online? | Multiple locations or just one? | Locations all across the U.S. or only in your state or city/town? | Do you have transportation to get to a location? |

Does the depository institution identified in your community have more than one location or branch?
Josie

How did location influence Josie’s selection of her top two depository institutions?

She selected locations in her hometown and near her college.
Depository institutions keep your money safe

- Offer a safe and secure place to store your money
  - Security (safes, secure networks, etc.)
  - Insurance

<table>
<thead>
<tr>
<th>Federal Deposit Insurance Corporation (FDIC)</th>
<th>National Credit Union Administration (NCUA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insures banks and other types of institutions other than credit unions</td>
<td>Insures credit unions</td>
</tr>
<tr>
<td>$250,000 per depositor, per insured institution, for each account ownership type</td>
<td>Same as FDIC</td>
</tr>
</tbody>
</table>

How can insurance play a role in choosing a depository institution?
Josie

While watching the news today, Josie saw that a local depository institution is closing. Now that she understands the importance of depository institution insurance, she wants to ensure her choices are insured.

Are Josie’s choices insured?

Option 1
Yes, by FDIC

Option 2
Yes, by NCUA
9/8/15

• TLW:
Businesses offer services to the public

What services do these businesses offer?

- Grocery store
- Gas station
- Restaurant
- Clothing store
What services does the depository institution identified in your community offer?

Transactions and Savings Tools

Special Needs Payment Instruments

Safe-Deposit Box

Credit

Financial Advice

Services offered by depository institutions
Depository institutions offer the ability to earn interest

**Interest** - the price paid for using someone else’s money

You can earn interest or be charged interest

The amount of interest earned or charged is determined by the **interest rate** (percentage rate used to calculate interest, usually an annual rate)
Interest rate

$100 deposited in an account earning 2% interest

Look for high interest rates when earning interest

Look for low interest rates when paying interest

$100 \times 0.02 = 2$
Savings Tools

Accounts that help you manage your money

May or may not earn interest

The 2 most common accounts:

Checking Account

Savings Account
<table>
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<th>Checking Account</th>
<th>Savings Account</th>
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<tbody>
<tr>
<td>Provides quick access to funds for transactions</td>
<td>An account for money not intended to be used for daily expenses</td>
</tr>
<tr>
<td>Use deposited money anytime by:</td>
<td>Access to money is more limited than a checking account</td>
</tr>
<tr>
<td>• Writing checks</td>
<td></td>
</tr>
<tr>
<td>• Using a debit card</td>
<td></td>
</tr>
<tr>
<td>• Withdrawing cash</td>
<td></td>
</tr>
<tr>
<td>• Electronically transferring money</td>
<td></td>
</tr>
<tr>
<td>Some earn interest but most do not</td>
<td>Earn interest</td>
</tr>
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</table>

Should you look for a low or high interest rate on a savings account?
Josie

• Josie is looking for a checking account that is linked to a savings account
• This will allow her to transfer money from her checking account to her savings account when needed

Why would this feature be beneficial?

Does option 1 have this ability?
Yes - linked savings account

Does option 2 have this ability?
Yes – linked savings account
## Credit

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<th>What is it?</th>
<th>What can you do?</th>
<th>Other Information</th>
</tr>
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<tr>
<td>• Borrowing money</td>
<td>• Loans</td>
<td>• You will pay back the money borrowed plus interest</td>
</tr>
<tr>
<td></td>
<td>• Credit cards</td>
<td></td>
</tr>
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</table>
Other Services

- **Financial advice**: Information, advice, and assistance with a wide range of financial topics.
- **Safe-deposit box**: Store valuable personal items.
- **Special needs payment instruments**: Secure types of payments such as traveler’s checks, certified checks, cashier’s checks, and money orders.
Using depository institution services

Call, visit, email or search the website

Do you have an account?

Under 18?

- Determine what steps are needed to use the service
- Having an account may be a requirement to use certain services
- Most require a parent/guardian signature to open an account
Features of Depository Institutions

Services offered by depository institutions may offer many different features

Online banking  Mobile banking  Debit cards  ATMs  Contactless payment
Online Banking

What is it?

- Complete certain transactions from a secured Internet site
- Use a username and password

What can you do?

- Access account information anywhere
- Transfer money
- Pay bills/set up recurring bill payment
- Apply for credit
Mobile Banking

What is it?

Apps that many depository institutions have developed that allow online banking access from devices such as smartphones, tablets, and other mobile devices.

What can you do?

Usually offers the same services as online banking.
Debit Cards

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<th>What can you do?</th>
<th>Other Information</th>
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<tr>
<td>A plastic card that is electronically connected to the cardholder’s depository institution account</td>
<td>Function in the same manner as checks but faster and more portable</td>
<td>Use a Personal Identification Number (PIN) or signature to authorize transactions</td>
</tr>
</tbody>
</table>

Funded by a grant from Take Charge America, Inc. to the Norton School of Family and Consumer Sciences Take Charge America Institute at the University of Arizona
## Automated Teller Machines (ATMs)

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<th>What can you do?</th>
<th>Other information</th>
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</table>
| A machine that allows individuals to complete certain transactions from the machine without human assistance | • Withdraw and deposit money  
• Transfer money  
• Check account balance | Accessed via an ATM card (usually the debit card) and PIN |
## Contactless Payment

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<th><strong>What can you do?</strong></th>
<th><strong>Other information</strong></th>
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<tbody>
<tr>
<td>Transactions completed with no physical connection between the payment device and the Point of Sale (POS) device or store clerk.</td>
<td>“Wave” a card in front of a sensor for fast and easy transactions.</td>
<td>Not all merchants have this technology.</td>
</tr>
</tbody>
</table>
Which feature would you find the most appealing?
Cast your vote!

- Online banking
- Mobile banking
- Debit cards
- ATMs
- Contactless payment
Fees

- Different types of fees may be charged
- Fees will vary between institutions and within different services at the same institution
- One of the most important factors to consider when choosing a depository institution

<table>
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<tr>
<th>Overdraft fee</th>
<th>ATM fee</th>
<th>Minimum balance fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charged if you withdraw more money from your account than is available</td>
<td>Charge for using an ATM that belongs to another depository institution</td>
<td>Some accounts have a minimum account balance; fee charged if you go below that balance</td>
</tr>
</tbody>
</table>
How do you manage fees?

**Research**
- Research fees when choosing a depository institution
- When opening an account, ask for a list of fees

**Manage responsibly**
- Most are avoidable
- Manage your account responsibly
How do you choose one depository institution over another?

Choose one that meets your goals!

Analyze the following factors:

- Fees charged
- Type of depository institution
- Location
- Insurance
- Services offered
- Interest rates offered
- Features offered
Which checking account should Josie choose?

Learn more about Josie to help her choose depository institution 1 or 2.
What did you learn about Josie?

| Will be traveling often to neighboring states | Owns a smartphone | Has over drafted her account in the past | Has several bills to pay every month |
| Make sure she can avoid all fees with proper account management | Would prefer no minimum balance requirements | Would like to earn interest on her deposits | Would like a quick way to check her account balances |

**Which checking account would you recommend Josie choose - option 1 or 2? Why?**
Summary

Depository institutions offer many benefits:

A safe place to store money  |  A way to manage cash  |  The opportunity to earn interest

Services/features offered and fees charged vary between and within every depository institution

Research different depository institutions and choose one that will help you reach your goals