Name: **Date:**

Performance Task: Banking

Compelling Question:

Does how you use a bank matter?

Prompts/Supporting Questions

Formative Performance Task 1—Comparing and Contrasting Savings and Checking Accounts

1. Analyzing the attributes of savings and checking accounts

What are the risks and rewards of using savings and checking accounts?

Students will be able to explain the differences between a savings and checking account and which is right for them.

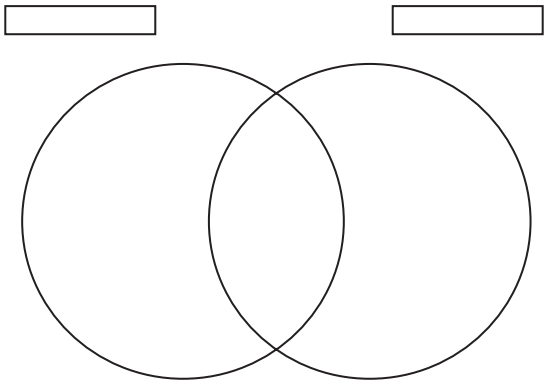
Students will be using articles to determine the role that both savings and checking accounts play in healthy banking practices. It will be important for students to highlight the different requirements and fees that banks attach to their accounts.

Students will be able to identify and explain fees, costs, and accessibility with savings and checking accounts.

Students will practice recognizing fees and costs with accounts by using a sample scenario to recommend changes that could be made in banking practices to save on fees. Students will also create a checklist that can be used to ask their parent or guardian about their banking practices.

TASK: Students will use the following article "Checking and Savings: What is the Difference?" from Wallet Hub to complete the Venn diagram on the similarities and differences between savings and checking accounts. As students are reading the article, they should be highlighting any terms or phrases that are unfamiliar with to them. Students should be able to

1. Place similarities in the middle where the two circles intersect.
2. In each of the circles, place information that only pertains to the category.
3. Items to include may be things like specific uses, fees, and costs.



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TASK: As students finish completing the Venn diagram to compare and contrast accounts, they may struggle to understand specific terms that are included in the article or specific fees and costs. In order to help develop greater command of content vocabulary the teacher should lead students through an activity called List, Group, Label, and Theorize. Using the chart below, students should list words related to banking, checking accounts, and savings accounts that are unclear for them. As a class, compile the list and then allow students to generate groups of words that they think are similar. Then have students begin placing labels on the words or phrases that they think are most similar. As the class has several groups of words, ask students to begin theorizing what the terms or phrases have to do with banking.

LIST:		
Group 1	Group 2	Group 3
Label	Label	Label
Theorize	Theorize	Theorize

TASK: Now that students have had an introduction to both the risks and rewards of checking and savings accounts, students should be able to practice the healthy banking practice of minimizing fees. Individually or with the class, use the Minimizing Account Expenses exercise included below. As you read through the story, ask students to brainstorm four ways that Leo and Cheryl could reduce their fees associated with banking. Possible answers might include

- Have their money direct deposited
- Compare prices on getting checks for your account
- Leo should stop using the ATM that will charge him fees.
- Compare their savings account with another bank to see if they can gain a better interest rate than 0.25%.

Minimizing account expenses (exercise)

Cheryl and Leo recently got married and opened a joint checking account. The account is free with direct deposit, or a minimum balance of $500, or teller-free (electronic only) banking. Otherwise a fee of $12 is assessed each month the account doesn't meet one of these fee-free requirements. Upon opening the account, the couple placed an order with the bank tor a box of 500 checks.

After signing up for their checking account, Cheryl and Leo opened a joint savings account at the bank down the street. There is a monthly fee of $5, but the account does pay interest (currently 0.25%). The account balance is now $150, but Cheryl and Leo are adding $25 each payday ($50/month).

Each payday, Cheryl takes her check into the branch near her work—she typically has the teller deposit all of it except $40, which she uses for the week's small cash expenses. Leo doesn't work near any of the bank's branches or ATMs, so he malls his paycheck to the bank for deposit and gets cash as needed from an ATM in the 7-Eleven down the street from work.

Yesterday, there was $274.16 in the couple's checking account. Leo used online bill pay to make the couple's car payment of $200. Cheryl made an ATM withdrawal of $80 to cover the expenses of their upcoming weekend trip to visit her parents.

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Extension activity

Students should use their Venn diagram and create a checklist of items to look for when selecting a checking and savings account with a bank. Using categories selected by students, research the accounts offered by three banks and compare which bank has the best selection of accounts that fit the needs of students today. Some examples of things to look for when comparing banks may include:

Checking Accounts

1. minimum fees
2. limits on transactions
3. minimum balance
4. ATM access
5. online or mobile access and features (like mobile deposit)
6. overdraft fees

Savings Accounts

1. Federal Deposit Insurance
2. liquidity (moving money from accounts)
3. competitive interest rate
4. mobile access
5. sub accounts

When finished with Task 1, students should have a greater understanding of the difference between savings and checking accounts as well as much of the risk and reward that is associated with their use. While not only gaining an understanding of the risks to watch out for, students will be better suited to shop for competitive accounts that best fit their needs.

2. Practice healthy banking practices by regularly reconciling bank statements

How can reconciling a bank statement lead to healthy banking practices?

Students will be able to reconcile a bank statement.

Students will use a sample checking account to practice reconciling a bank statement. First students will ensure that they have correctly reconciled their own checkbook register and then compare it with the statement from the bank. Students will be responsible for explaining any inaccuracies and accounting for mistakes.

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Students will be able to explain how to reconcile a bank statement in a digital world.

Using multiple sources, students will analyze how modern banking requires a new skill set that moves beyond reconciling a bank statement on their check register. Students will need to take into account the multiple ways that money flows in and out of accounts.

TASK: Now that students have a working understanding of savings and checking accounts, it will be necessary to understand what it means to reconcile a bank statement and how it can lead to healthy banking practices in the age of digital banking.

First, in order to understand how to reconcile a bank statement, students should read the article "How to Balance a Checkbook and Reconcile a Bank Statement." As students read the article, ask students to complete a 3-2-1 activity on the reading:

- 3 things that they learned
- 2 things that they found interesting
- 1 thing that they still had a question about.

Teacher should take the time to ensure that questions are answered for students before moving on to reconciling a bank statement.

Step 1: To practice using a bank register, students should reference Source A and complete the blank register by registering debits and deposits under the Balance category. When finished, students should be able to see a balance of $8.73 in the account.

Step 2: Now that students are familiar with a bank register, ask students to reconcile the transactions in Source B with the bank statement from Source C. Students may find the following points helpful when reconciling the bank statement.

1. Check off each transaction in the register that also appears on your statement.
2. Find the ending balance on your account statement and add to it any recent deposits not reflected, and then subtract any withdrawals, checks, debits, online payments, electronic transfers and bank fees that are still unchecked in your register. This final number should match the ending balance in your check register. If not, go back over the steps to find any missed transactions or miscalculations. (You can also get instructions for reconciling your account on the account statement, at your financial institution's website or by doing an online search for "How to reconcile a checking account.") If you can't get your numbers to match up after a couple of attempts, it usually means you made an error in your register. If you can't find a mistake, contact your bank for help finding the discrepancy

After students have compared Source C and Source B, it should be clear that there is a discrepancy in the ending balance. Source B has $8.73 while Source C has $77. 07. Ask students to consider what the discrepancy may be from by referencing the check register again.

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Students should be able to come to the conclusion that the check for Roto-Plumber had not cleared through the bank by the time the statement was ready to be mailed. *It will be important to note for students that statements can be verified at anytime online.*

As students finish the activity, it will be important that the teacher help extend students' understanding of how online banking in the digital age has made reconciling a bank statement more complex. To help facilitate this conversation, the teacher should allow students to consider ways that money can come in and out of the account without actually writing a check. Some responses may include:

1. ATM transactions
2. Online Bill Pay
3. Direct Deposits

Source A—Sample Blank Check Register (www.consumer-action.org**)**

Number or Code	Date	Transaction Description	Pymt/Fee/ Withdrawal	✓	Deposits/ Credits	Balance
		Balance Forward				
						$213.97
2155	1/21	Roto-Plumber	$68.34			
	1/25	Sara's paycheck			$952.10	
ATM	1/25	ATM withdrawal	$80 + $4			
Debit	1/27	AAA Wireless	$45			
Fee	1/28	Monthly account fee	$10			

Source B—Sample Completed Check Register (www.consumer-action.org**)**

Number or Code	Date	Transaction Description	Pymt/Fee/ Withdrawal	✓	Deposits/ Credits	Balance
		Balance Forward				
						$213.97
2155	1/21	Roto-Plumber	$68.34			- $68.34
						$145.63
	1/25	Sara's paycheck			$952.10	+ $952.10
						$1,097.73
ATM	1/25	ATM withdrawal	$80.00 + $4			- $84.00
						$1,013.73
Debit	1/27	AAA Wireless	$45.00			- $45.00
						$968.73
Fee	1/28	Monthly account fee	$10			- $10.00
						$958.73
2156	1/28	Marta Leon	$950			-$950.00
						$8.73

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Source C—Bank Statement (www.consumer-action.org)

ACCOUNT STATEMENT

Joe Jones
Sara Sanderson
333 Happy Lane
Seaview, HI 96801

Customer Service: 800-555-5555
CommunityCreditUnion.com
P.O. Box 333333
Honolulu, HI 96803

Account	Account number	Ending balance
QuickAccess Checking	03267 66894	$77.07
Passbook Savings	03455 21890	$748.64

• Beginning balance on January 21, 2014	$213.97
• Deposits/additions	$952.10
• Checks	$950.00
• ATM/debit card subtractions	$84.00
• Bill payments	$45.00
• Service fees	$10.00
• Ending balance on February 20, 2014	$77.07

Deposits/Credits

Date	Description	Amount
1/25/14	Karma Coffee Company	$952.10

Checks/Withdrawals/Debits/Fees

Date	Description	Amount
1/25/14	BigTownBank ATM Withdrwl	$80.00
1/25/14	BigTownBank ATM Fee	$4.00
1/27/14	AAA Wireless Bill Payment	$45.00
1/28/14	Monthly Service Fee	$10.00
1/28/14	#2156	$950.00

3. Using compound interest to maximize savings

How can compound interest work for me?

Students will be able to differentiate between simple and compound interest.

Students will compare and contrast simple and compound interest.

Students calculate compound interest using the compound interest formula.

Using a sample scenario, students will be able to evaluate the value of compound interest and the impact that it has on individual savings. To ensure understanding, students will use the compound interest formula to calculate the interest gained over time on a sample account.

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TASK: Students will begin by reading the article "Learn Simple and Compound Interest" from Investopedia. From this article the teacher should lead a brief discussion on the differences between simple and compound interest. As students read the article, call for questions that arise that may challenge students' understanding of compound interest. Ask students to explain:

1. the formula for simple interest
2. how the formula for compound interest differs from simple interest
3. what advantages does compound interest have compared to simple interest
4. what variables control the impact that compound interest can have on your savings

Using Source B, students should be able to calculate the compound interest on a $10,000 savings account at 5% interest compounded monthly over one, five, and ten years.

Teachers should be sure to provide support for students when using the formula by keeping in mind PEMDAS.

After completing a sample calculation of the compound interest formula, debrief with students the advantages of using compound interest to exponentially grow savings. As the teacher leads a debrief from the activity, it may be necessary to provide more support and practice using the compound interest formula. To facilitate this, the teacher should use the scenarios below in Source A using the compound interest calculator from investor.gov.

Source B—Compound Interest Scenarios (www.ngpf.org)

Scenario 1:

Raul is a saver. He sets aside $200 per month during his career of 40 years to prepare for a comfortable retirement. He does not like the idea of investing so he puts his money in a savings account, which earns 2% interest per year. What is the balance of his retirement account after 40 years?

Scenario 2:

Pamela is also a saver. She sets aside $200 per month during her 40 year career. She invests in the US stock market* through an index fund that averages a 7% return over this 40 year period. How much is her retirement account worth?

Scenario 3:

Isaiah reads articles about the insufficient savings of those in retirement and decides he needs to start saving now, even though he's in his 50s. He saves $500 per month for 15 years and earns 7% by investing in the stock market* through an index fund. What is the value of his retirement account after 15 years?

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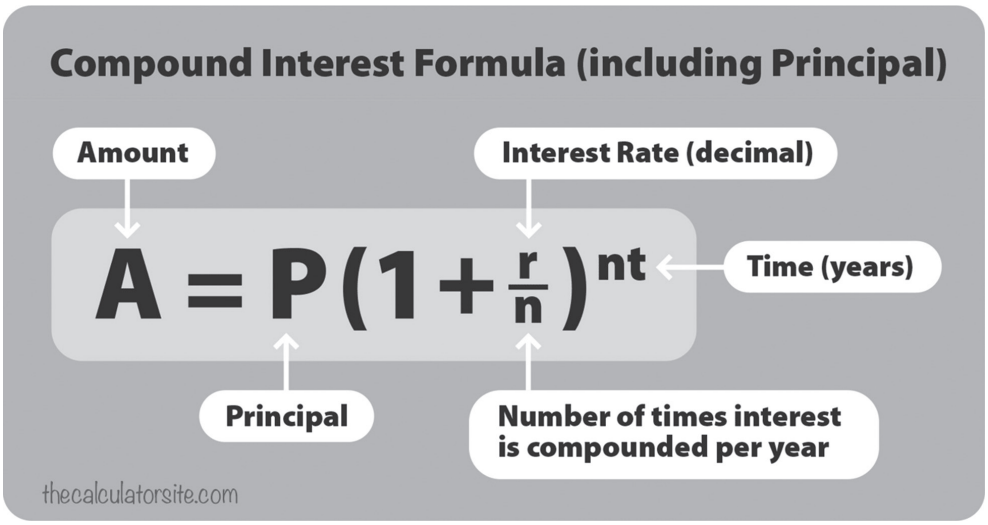
Source A—The Compound Interest Formula (www.thecalculatorsite.com)



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