



What is a Bank?

EPISODE #508

ACTIVITIES & LESSONS

LESSON LEVEL

Grades 6-8

KEY TOPICS

- Banking
- Credit & Debt
- Saving & Investing

ENTREPRENEURS & STORIES

- Ballroom dancers – Polina & Nathan
- City Slips – Katie & Susie
- Night Terrors Haunted House – Jordan
- ACU Student Financial Center – Pearland High School
- WAKAGLOW – Tucker
- C.E.C. Beautiful – Clayton
- Young Americans Bank – Tijuana

EPISODE SYNOPSIS

Get a kid's view of the services which banks, credit unions, and other financial institutions offer – and why you should use them early in life. Learn the different products that banks offer, and how to shop for the right bank for you.

LEARNING OBJECTIVES

1. Become familiar with the various products and services that banks offer.
2. Learn how kids can use a bank.
3. Discover how a bank makes money.

NATIONAL STANDARDS CORRELATIONS

Aligned to National Financial Literacy Standards from the *Jump\$tart Coalition for Personal Financial Literacy*.

Financial Responsibility and Decision Making

Overall

Competency: Apply reliable information and systematic decision making to personal financial decisions.

Standard 1: Take responsibility for personal financial decisions.

Standard 2: Find, evaluate financial information from variety of sources.

Standard 4: Make financial decisions by systematically considering alternatives and consequences.

Credit and Debt

Overall

Competency: Maintain creditworthiness, borrow at favorable terms, and manage debt.

Standard 1: Identify the costs and benefits of various types of credit.

Saving and Investing

Overall

Competency: Implement a diversified investment strategy that is compatible with personal goals.

Standard 1: Discuss how saving contributes to financial well-being.

Aligned to Voluntary National Content Standards in Economics from the *Council for Economic Education*.

Standard 2: Decision Making

Standard 10: Institutions

Standard 20: Fiscal and Monetary Policy

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- Lesson Prep & Screening
- Activity #1
- Curriculum Connections
- Activity #2
- Biz Terms Vocabulary
- Family Activity Sheet



LESSON PREP & SCREENING

Getting Started

Familiarize yourself with the episode ahead of time. It will serve as a springboard for student learning, discussions, vocabulary exploration, and hands-on activities. Determine what is required to show the episode in your classroom and borrow equipment if needed. Choose an activity (each one takes between 45-60 minutes), and gather supplies. Have fun!

Equipment & Supplies

For all activities, students will need a pen or pencil. Additional equipment needs are identified on activity pages.

Screening

Introduce the series and the episode. Then, prior to playing the episode, lead your students in a discussion with the preview questions on this page. Explain that **Biz Kid\$** is a public television series that teaches kids about money and business. Also mention that the bizkids.com website has lots of video clips, games, a blog, and other resources.

About the Episode

Get a kid's view of the services which banks, credit unions, and other financial institutions offer – and why you should use them early in life. Learn the different products that banks offer, and how to shop for the right bank for you.

Preview Questions

- When you think of a bank, what words and ideas come to mind?
- How many of you already have an account at a bank or credit union? What was your purpose in opening the account?
- How much money do you think it takes to open a bank account?
- Are you aware that there are different types of banks? When you know more about what banks can offer, you can make the right choice for yourself or your business.

Summary & Conclusion

Treat a bank as you would any other service-related business. Maintain a good relationship with them, try to avoid fees where you can, and always ask questions. They want your business, they are willing to help you, and they want to keep you as a long-term customer – work with them to make the relationship work for you!

Family Connection

Distribute a copy of the Family Activity Sheet to each student to share what they've learned with their families.



Activity #1:

SAVINGS ADVANTAGE

Activity Learning Objectives

- Become familiar with how savings accounts work.
- Introduce *Biz Terms* and definitions used in the episode.

Episode Details

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Directions

Read the episode details out loud to the class. Hand out the worksheets titled “For Students” and discuss them together in class. Read the *Biz Terms* and discuss the vocabulary/episode review questions. Call on volunteers for answers, and have them explain to the group why they chose the term they believe to be correct.

Then, give the students time to complete worksheets. Finally, acting as a facilitator, allow students to discuss the issues. See Curriculum Connections on page 7 for additional ways to work with *Biz Terms*. (Note: the definitions are on page 9.)

Activity Wrap-Up

Thank the students for their participation, and remind them that it's better to let your money work for you! Earn as much interest as you can by saving early in life and leaving the money in your savings account for as long as possible.



SAVINGS ADVANTAGE

WORKSHEET FOR STUDENTS

Biz Terms

- Assets
- Checking account
- Commercial bank
- Credit union
- FDIC
- Federal Reserve
- Insurance
- Interest
- Invest
- Investment bank
- NSF
- Private bank
- Retail bank
- Savings account

Episode Review

1. The Pearland Independent School District partnered with a _____ to help students learn and study with career-related work.
2. Clayton and Tucker secured loans from Young American Bank, but they were charged different rates of _____.
3. Nathan, a ballroom dancing kid, takes his portion of the money and puts it in his _____ where it earns a small amount of interest.
4. Polina prefers to use a _____ to purchase things on a more regular basis.
5. If you write a check for more money than you have in your account, you will be charged an _____ fee.
6. In order to use a _____ you have to qualify to become a member, but you also own part of the institution.
7. You _____ your money when you loan it to someone else to be paid back with interest.
8. The government organization responsible for the money supply and for interest rates is called the _____.
9. The _____ is the government organization that insures money you deposit in a bank or credit union account up to \$250,000.



SAVINGS ADVANTAGE

WORKSHEET FOR STUDENTS

Read the following paragraphs out loud together in class. If you put your cash in a retail bank or credit union, you are lending the bank your money. Some accounts pay interest for the use of your money. The higher the interest on savings, and the longer you leave the money in the account, the more the bank pays you. Also, if you keep your money in the bank, it is insured by the FDIC if it is a retail bank or insured by the NCUA at a credit union.

When choosing a bank, compare different options and list the pros and cons for each option. Choose an account with the best interest rate, and beware of “freebies” that are used to make some accounts look more attractive in the short run.

The first account many people open is a savings account, which can be used by all ages. It is the most basic account offered by banks today. It offers interest on the account, but access to funds may be limited, and a minimum amount may be required to open or maintain the account. Savings accounts are insured by the FDIC for up to \$250,000.

Many credit unions and banks have special programs for kids that only require a first deposit of \$5 to \$25 to open an account. Teenagers usually find checking accounts helpful because they give more regular access to their money. Under the age of 18, most banks require an adult to sign on the account also, and there is typically a small minimum balance requirement of about \$50.

Using the worksheet below, calculate how much money can be earned over time. Original Deposit = \$10.

| | Starting Balance | Interest Rate per year | Interest Earned | Balance at the end of year |
|-------------|------------------|------------------------|-----------------|----------------------------|
| First Year | \$10.00 | 4% | \$0.40 | \$10.40 |
| Second Year | \$10.40 | 4% | \$0.42 | \$10.42 |
| Third Year | | | | |
| Fourth Year | | | | |
| Fifth Year | | | | |



SAVINGS ADVANTAGE

WORKSHEET FOR STUDENTS

1. If you change the interest rate in the table to 6%, how much money will you have at the end of 5 years?

| | Starting Balance | Interest Rate per year | Interest Earned | Balance at the end of year |
|-------------|------------------|------------------------|-----------------|----------------------------|
| First Year | \$10.00 | 6% | | |
| Second Year | | | | |
| Third Year | | | | |
| Fourth Year | | | | |
| Fifth Year | | | | |

2. If you change the starting deposit in the table to \$25, how much money will you have at the end of 5 years at 4% interest?

| | Starting Balance | Interest Rate per year | Interest Earned | Balance at the end of year |
|-------------|------------------|------------------------|-----------------|----------------------------|
| First Year | \$25.00 | 4% | | |
| Second Year | | | | |
| Third Year | | | | |
| Fourth Year | | | | |
| Fifth Year | | | | |

3. Discuss, as a class, why having to wait a bit to have access to the money you've deposited in your savings account is a good thing. What would be a disadvantage?
4. What types of banks are in your local community? Are they all parts of a large group of well known banks?
5. Name at least 3 skills that would be useful to have if you are considering a career in banking. How would having those skills be an advantage?

Extra Credit

Interview someone who works at a local bank or credit union. Ask them how they got started in their career, what skills they find most useful, and if they provide internships for young people to learn about a banking career. Write a report for class using the information you gather. Write a thank you note to the people who spoke with you.



CURRICULUM CONNECTIONS

Language Arts

- Have students construct sentences; write a paragraph; or create a story, skit, or dialog using *Biz Terms*.
- Have students create a class dictionary of financial terms.
- Have students start their own journal of personal financial education and continue to add to it.
- Write a brief biographical summary about Giovanni Medici, who set up the famous Italian bank, the Medici Bank.

History/Social Studies

- Write a report on the history of the Federal Reserve System of the United States.
- Who is currently the head of the Federal Reserve, and what career background do they have to do that job?

Mathematics

- Banks make money and contribute to our economy by lending money to others. The amount that they can lend is determined by the Federal Reserve. If the amount a bank is allowed to lend out is 90% of the money it receives, and you give your bank \$100, then the bank can lend out \$90. If that \$90 is deposited into another bank, then the second bank in line can lend out 90% of the \$90 it received, or \$81. So when you deposit \$100 into your bank, if everyone who receives a loan deposits it into a bank which then lends out 90% of the money, how much money can be lent to others as a result of your original \$100 deposit?

Economics

- Draw a diagram illustrating the role that banks and other financial institutions play among savers, borrowers, and investors.
- Explain the difference between saving money and earning interest versus borrowing money and paying interest.

Optional Vocabulary Extensions

Make Art!

Ask students to create personal illustrated glossaries using sketches or cartoons to visually represent the meaning of each *Biz Term*.

Make It Personal!

Provide students with dictionaries and ask students to re-write formal definitions for each *Biz Term* in their own words to demonstrate comprehension.



Activity #2:

EXPLORE MICROLOANS ONLINE

Activity Learning Objectives

- Create an online profit and loss statement
- Learn what it takes to become a B Corporation.

Episode Details

Get a kid's view of the services which banks, credit unions, and other financial institutions offer – and why you should use them early in life. Learn the different products that banks offer, and how to shop for the right bank for you.

Supplies Needed

Computers, access to Internet, and printers.

DIRECTIONS FOR STUDENTS

A microloan is similar to the loans that Clayton and Tucker received for their businesses. It is a loan that is in a small dollar amount, for a short length of time, for the purpose of starting or expanding your business.

At the computer, connect to the internet and go to <http://www.sbaloans-123.com/what-is-a-microloan> to read about microloans from the Small Business Association. Once you have read that page, go to each of the two websites below. Compare and contrast the requirements and interest rates available for microloans from the following organizations.

ACCION USA

<https://secure2.accionusa.org/OLA/Applyonline/tabid/142/language/en-US/Default.aspx>

GRAMEEN AMERICA

<http://grameenamerica.com/our-borrowers/request-a-loan/loan-process.html>

If your business needed a small loan, which organization would you prefer, and why? How much money would you borrow, and what would you use that money for? How long would it take you to pay back the loan?

Microloans work both ways. You can apply for a microloan to help your own business, or you can loan some of your own money to another business and get repaid plus interest. But be very careful, loans can be risky if the person who borrows from you does not succeed and does not pay you back what they owe. You could lose all of that money.

At the computer, connect to the internet and go to the following website: <http://www.kiva.org> Here, businesses all over the world can ask for a microloan. People can send them a small amount of money to help them for a short time period. What are some of the businesses that you see listed here? What will they use the money for if they get a loan?



BIZ TERMS DEFINITIONS

- *Assets*: Things that you own which have significant monetary value, which can be used to help you make more money.
- *Checking account*: An account that is used for spending money with checks or debit cards. These accounts usually do not earn interest on the money that is deposited in them.
- *Commercial bank*: A for-profit bank where large businesses can make deposits, take loans, and open checking and savings accounts.
- *Credit union*: A non-profit banking organization where individuals and small businesses can make deposits, take loans, and open checking and savings accounts. The members of the credit union own and control the business. To become a member you have to qualify.
- *FDIC*: FDIC stands for Federal Deposit Insurance Corporation, a government organization that will insure, or keep safe, the money you deposit in a bank or credit union up to \$250,000.
- *Federal Reserve*: The government organization that is responsible for the money supply and interest rates.
- *Insurance*: A guarantee or promise that your money is going to be safe.
- *Interest*: Extra money that is paid back in return for letting someone borrow a specific amount of money. For example, 10% interest on \$100 would be \$10 extra that is paid back at the end of the loan in addition to paying back the \$100 that you borrowed.
- *Invest*: To loan your money to someone else so they can pay it back with interest.
- *Investment bank*: A for-profit bank where individuals and businesses can make deposits which will be invested for rapid growth.
- *NSF*: NSF stands for Non-Sufficient Funds, which means not enough money in your account to cover the amount you wrote a check for. There is usually a fee or penalty that you must pay in addition to bringing in the amount of money that you owe for the check.
- *Private bank*: A for-profit bank where wealthy individuals can make deposits, take loans, and open checking and savings accounts.
- *Retail bank*: A for-profit bank where individuals and small businesses can make deposits, take loans, and open checking and savings accounts.
- *Savings account*: An account that is used for saving money and not spending it. These accounts usually earn interest on the money that is deposited in them.



FAMILY ACTIVITY SHEET

Episode Synopsis

Get a kid's view of the services which banks, credit unions, and other financial institutions offer – and why you should use them early in life. Learn the different products that banks offer, and how to shop for the right bank for you.

Activity Suggestions

Banks are critical to our economy. The primary function of banks is to put their account holders' money to use by lending it to others who can use it to buy homes, businesses, and send Biz Kids to college! Discuss how banks are important to your family. The following questions might facilitate the discussion.

- Discuss whether you use a bank or credit union for your financial institution of choice. If you belong to a credit union, what are the membership qualifications?
- Visit a bank or credit union with your family for the purpose of becoming familiar with the institution. If your student doesn't have an account, discuss the advantages to opening a checking or savings account. While there, get a blank deposit slip and a blank withdrawal slip that you can practice with.
- Do you have any loans or credit accounts in your family? If you do, what is the interest rate on one or more of your loans or credit accounts? How does that interest rate compare to interest rates currently being offered at banks or credit unions in your area? Discuss why interest rates are important.



Produced by: *Biz Kid\$* LLP

Funded by:



Co-Produced by:



Distributed by:

