FAMILY ECONOMICS & FINANCIAL EDUCATION

FINANCIAL INSTITUTIONS

Information on Financial Institutions & Services

INTRODUCTION

Why should a person learn about money management? People should learn about money management because it is a part of everyone's daily routine. Education about money management can save a person time and money. Good money management can lead to becoming financially secure.

Benefits of Financial Institutions:

- Convenience—quick access to cash
- Cost savings—less expensive to cash checks and purchase money orders
- Safety—protection from fire, theft, and loss
- Security—federal government protection

DEFINITION

Financial Institutions
They are businesses which offer multiple services in banking and finance. These may include items such as savings and checking accounts, loans, investments, and counseling on financial matters to customers. Types of financial institutions are commercial banks, savings and loan associations, credit unions, and brokerage firms.

Depository Institutions
They offer banking services and loans to individuals and businesses. Although they can be referred to as banks in general, each is a distinct type of institution. They follow state and federal regulations. This includes commercial banks, savings and loan associations, and credit unions.

Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), & Savings Association Insurance Fund (SAIF)
They are federal government agencies which protect bank accounts. Each depositor is insured up to $100,000. A sign will be posted if the bank is insured. Individuals want to use an insured bank to help protect money against risk.

ADVANTAGES

Using only one financial institution could include these advantages:

1. Simplicity—Having all accounts at one institution can simplify banking.
2. Relationship—Establishing a relationship can be beneficial when applying for a loan. Lower interest rates on loans may be offered to loyal customers!

Remember—Shop around for the best service, rates, products, and locations before choosing a financial institution!

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Financial Institutions

Types of Financial Institutions

Commercial Bank

These banks are called full-service banks because of the wide variety of services and products available including checking and savings accounts, loans, credit cards, investments, and advice. They operate under state and federal laws and are usually the largest financial institutions. They are insured by the FDIC.

Savings and Loan Association (S&L)

These banks are insured by the SAIF. They focus on providing loans and mortgages to customers who hold a savings account. Hence, their name. Savings and Loan Associations generally pay a higher interest rate than commercial banks. They also provide interest earning checking accounts.

Credit Union

A credit union is a non-profit cooperative bank owned by its members. Sometimes members have a common bond. This means they belong to the same employer, union, church, etc. Credit unions are insured by the National Credit Union Administration (NCUA), which provides the same safety as the FDIC. The accounts are called share accounts (savings), share draft accounts (checking), and share certificate accounts (certificate of deposit). They usually charge lower fees and loan rates and offer higher interest rates than S&L's and commercial banks. Many offer free financial counseling to their customers.

Brokerage Firm

They are licensed institutions which offer customers money management plans to buy and sell stocks, bonds, and other investment opportunities through cash management. They are relatively new to the marketplace. Brokerage firms can provide financial advice and assistance. Customers can easily move money between accounts within the same firm. Customers receive a monthly statement with a list of transactions between accounts. The money may be managed in a money market mutual fund account which holds the money until it is invested.

Services of Financial Institutions

Bond—Lending money to an organization as an investment.
Certificate of Deposit—An insured interest earning savings instrument with restricted access to the funds.
Checking Account—Paper checks or debit cards are used to withdraw money deposited into the account to pay for items. They may be non-interest bearing.
Credit Card—A card used to make a purchase now and must be repaid later.
Financial Counseling—Information and advice is given to customers to help them make decisions about financial issues.
Investment—A commitment of money to achieve long-term financial goals.
Loan—Borrowed money members apply for to be paid back at various interest rates.
Mortgage—A loan to purchase real estate.
Mutual Fund—Groups of stocks, bonds, and other investments managed by an investment firm.
Real Estate Investment—Purchase real estate as an investment to gain a profit.
Retirement Plan Account—Plans to set aside money for retirement. Money is tax-deferred until withdrawn.
Safe-Deposit Box—A secured box in a bank to be used for valuable and important personal items.
Savings Account—Money is deposited into an account to earn interest.
Share Account—A savings account at a Credit Union.
Share Certificate Account—A certificate of deposit (CD) at a Credit Union.
Share Draft Account—A checking account at a Credit Union.
Stock—Ownership, represented by shares, in a corporation.

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FINANCIAL INSTITUTIONS

AVAILABLE SERVICES

This chart outlines the types of services available at each financial institution.

Type of Service	Commercial Bank	Savings & Loan Association	Credit Union	Brokerage Firm
Bond				X
Certificate of Deposit (CD)	X	X		
Checking Account	X	X		
Credit Card	X		X	
Financial Counseling	X	X	X	X
Investment	X	X	X	X
Loan	X	X	X	
Mortgage	X	X	X	
Mutual Fund				X
Real Estate Investment				X
Retirement Plan Account		X	X	X
Safe-Deposit Box	X		X	
Savings Account	X	X		
Share Account			X	
Share Certificate Account			X	
Share Draft Account			X	
Stock				X

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FINANCIAL INSTITUTIONS REVIEW

Name________________

Date________________

	Total Points Earned
48	Total Points Possible
	Percentage

Directions: Answer the following questions based on information on Financial Institutions.

1. Identify two reasons to become educated about money management. (2 points)

2. What is the definition of a financial institution? (1 point)

3. Who are the customers that depository institutions serve? (2 points)

4. What does each acronym stand for - FDIC, SAIF and NCUA? What is the purpose of each? (6 points)

5. What are four types of financial institutions? (4 points)

6. Name two characteristics about commercial banks. (2 points)

7. Name three services offered at commercial banks. (3 points)

8. How did the savings & loan associations (S&Ls) get their name? (2 points)

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9. Name three services offered at S&Ls. (3 points)

10. What is significant about credit unions compared to commercial banks and S&Ls? (2 points)

11. Identify three services offered at credit unions. (3 points)

12. Why might people be less familiar with brokerage firms? (1 point)

13. Name three services offered at brokerage firms. (3 points)

14. Describe two benefits from using financial services. (2 points)

15. Identify two reasons why choosing one financial institution can be an advantage to a consumer. (2 points)

16. Choose and describe four financial services. (8 points)

17. Identify two new things you learned about financial institutions and services. (2 point)

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