

BASIC BANKING SERVICES

INTRODUCTION



These materials are intended for education purposes only. Any opinions expressed in these materials are not necessarily those of Citigroup and its affiliates. If legal, financial, tax, or other expert advice is required, the services of a qualified professional should be sought.

SECTION OVERVIEW

Commercial banking, based on the fractional reserve system, has an ancient origin. The system allows a bank to keep a percentage of the money on reserve and use the remaining amount to make loans. Therefore, the two principal functions of today's commercial banks are to oversee deposits (such as checking and savings) and lend money. Their income comes from interest on loans, investments, and various service charges. Many banks in the United States failed in the years prior to 1933. However, since 1933, when the Federal Deposit Insurance Corporation (FDIC) improved regulation and restored depositors' confidence in banks, few people have lost money deposited in banks. Over the years, additional financial legislation and regulations have worked to make the U.S. banking system strong and reliable.

Banking services are essential tools for managing personal finances and building assets, as well as qualifying for and obtaining credit. All consumers need to know what banking services are available and how to use them.

More recently, Internet banking has changed the way Americans bank. In 2004, 53 million Americans, or 44 percent of all U.S. Internet users, were using some form of online banking:

- On a typical day, 13 million Americans perform banking chores online.
- 60 percent of Generation X (ages 28-39) used online banking while 38 percent of Generation Y (ages 18-27) did.
- 48 percent of men and 39 percent of women use online banking.

In addition, Social Security, earned income tax credits (EITC), and other government deposits can be made electronically, and most large employers pay employees by direct deposit, which requires that the employee have a bank account. This means that millions of people receive funds, check balances, and have access to online banking services.

It is important that everyone knows about the benefits of using online banking services and how to protect their privacy when they bank online.

ADAPTING THE PRESENTATION TO YOUR AUDIENCE

Every audience is unique. Quite often, people don't realize how little they know about financial resources.

Be very careful to present information in a conversational way, as though you are talking with friends. Avoid asking questions that require a show of hands or other public display of knowledge or opinion. Instead, encourage your audience members to volunteer examples or information.

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Many of the activities in this section of the guide can be adapted for classroom use. In addition, there are many useful educational ideas and materials online. Refer to *Appendix 6: Resources*, for examples.

Here are some tips that will help you adapt your presentation to the needs and concerns of different audiences:

Teens

- Often have a part-time job. This is an excellent opportunity for them to begin using banking services, especially checking and savings accounts.
- Many have an ATM/debit or credit card provided by their parents.
- Many have goals that require large amounts of money, such as buying a car, prom expenses, or college. It is essential for them to learn how to save and plan for such purchases.
- Like being spoken to as adults, and are generally anxious to get the best value from their money.
- Working teens often contribute to the family income.

Online educator resources:

<http://www.jumpstart.org/states.cfm>

<http://www.italladdsup.org/>

Low-income families

- May receive Social Security or other public assistance by direct deposit.
- Use ATM cards to access funds.
- May use check cashing services and money orders to pay bills.
- May be concerned that bank records are not confidential.
- May have had problems managing a bank account in the past.
- May prefer to use cash or may not have access to credit.
- Working teens often contribute to the family income.

Young single adults and families

- Need to understand how to establish individual and joint checking and savings accounts.
- May not know about the many services and products a bank offers.
- Are unskilled at making major financial decisions; they could benefit from advice offered by bank or credit union experts.

Consider a Q&A Opportunity

Many people are uncomfortable talking about financial issues in a public setting, such as a classroom. Make a Financial Facts Q&A mailbox to allow participants to drop in cards with questions. Take a few minutes at the end of the session to answer a couple of the questions, and include content about other questions in later presentations.