

BASIC BANKING SERVICES

ACTIVITY 1



Why Do You Need a Bank?

RECOMMENDED TIME

Allow 50-60 minutes. Required time may vary depending on the audience.

OBJECTIVES

Participants will:

- Understand the functions of a bank.
- Recognize the differences between banks and credit unions.
- Describe the safety of financial institutions (FDIC, NCUA, etc.)
- Realize that banks can be used to help them manage their money.
- Learn about the Earned Income Tax Credit.

MATERIALS NEEDED

- Overhead projector and screen*
- Overhead transparencies or handouts for the activity
- Flipchart, blank transparencies, or white board
- Overhead marking pens

ADVANCE PREPARATION NOTES

Review the activity plan. Think about the audience, and decide whether to present the total activity or to use parts of this activity in combination with other activities.

Consider reviewing an introductory activity, "Where Do I Keep My Money?" in the *Introduction to Financial Services* unit. Depending on the audience, elements of the two activities might be combined for greater effectiveness.

Check out the local phone directory in advance for locations of commercial banks, savings and loan associations, credit unions, and mutual savings banks to use as illustrations for the activity.

If possible, visit www.irs.gov before the presentation to research the Earned Income Tax Credit (EITC) income levels for the current tax year. These income levels change annually, so it would be helpful in your discussion about the EITC to have the most current information.

For clarity, use print instead of script when writing on a flipchart, white board, or transparency.

Note that the suggested dialogue in the delivery notes does not always mirror the wording on a transparency. Try to vary the dialogue, rather than reading transparencies verbatim.

* If an overhead projector isn't available, consider making photocopies of the overhead transparencies for handouts instead.

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ACTIVITY 1 - DELIVERY NOTES



Why Do You Need a Bank?

Presentation Opening

- Welcome the participants.
- Introduce yourself briefly.
- If this is the first meeting with the class or group, do a brief round of introductions by everyone.
- When introducing yourself, print your name where participants can see and refer to it during the session. Some people may be a little nervous and may not remember your name. Just as you want to use their names, encourage them to call you by your name.

Open the discussion by asking for a show of hands of those who do any type of business with a bank.

- Be sure to remind everyone that the session is not about *which* bank (brand name) but rather, *a* bank.
- In some communities and with some age groups, people are cautious about providing personal information in a public gathering. If people don't raise their hands, move on.

Activity Overview

Tell participants that the purpose of this activity is to become aware of:

- Purposes of Banks
- Types of Financial Institutions
- Safety of Financial Institutions
- Privacy of Financial Institutions
- The ways that banks can help you manage your money
- The benefits of an Earned Income Tax Credit refund

Begin with the basic functions of a bank: to accept money in checking and savings accounts and to make loans.

- Encourage the participants to think in very general terms about the very basics of what banks do; specifics will be covered later.
- Stress that banks take in money and distribute money—through various services.

Display “**Overhead 1: Banks & Credit Unions.**” Walk participants through the overhead, explaining some of the key differences between traditional banks and credit unions.

Emphasize that deposits in both banks and credit unions are safe. Both banks and credit unions insure most deposits up to \$100,000 per depositor per institution.

Visual Aids

Overhead 1
Banks & Credit Unions

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ACTIVITY 1 - DELIVERY NOTES



Ask participants whether they think one type of financial institution is safer than another.

- Allow for responses, but be sure everyone recognizes that safety is very important to all bank officials. If people do not have confidence in the safety of banks, they will not do business with banks.
- Allow participants to discuss their concerns with safety in banks and related financial institutions. This is a major purpose of this financial education program—to build confidence in banks.
- Option: Consider one of two interactive options to use when discussing safety of financial institutions. If either option is used, remember to use the information as a review opportunity in closing the activity.
 1. Private Option: Have each participant write on a slip of paper how confident they feel about financial institutions, on a scale of 1-5.
 2. Public Option: Draw a line on the flipchart, board, or blank transparency. Divide into segments labeled 1-5. Label 1 = “least safe” and label 5 = “most safe.” Have participants individually mark the spot that illustrates how confident each one feels about financial institutions.

Use **“Overhead 2: FDIC Logo and Background”** to ask if anyone has ever noticed the symbol on a bank door.

- Describe the FDIC using the notes on the overhead.
- Depending on the group, there may be individuals who either remember the events of the 1930s or remember their parents talking about them. If such a valuable resource exists in the group, allow limited time for the sharing of such experiences.
- If there are participants from other countries who now live in the United States, ask if they would be willing to share their experiences with banks in their native countries.

Remind everyone that just as the FDIC protects commercial banks, other related financial institutions may have similar protections.

Use **“Overhead 3: Safety of Financial Institutions”** to illustrate legal and regulatory oversight of financial institutions.

- FDIC: Federal Deposit Insurance Corporation
- NCUA: National Credit Union Administration

(More detailed information on the NCUA can be found in the glossary.)

Use **“Handout 1: What Does Safety Mean?”** to initiate a group discussion. The objective is to illustrate specific meanings of the term “safety.”

- Although all answers are **yes**, the goal of the exercise is to provide a

Visual Aids

Overhead 2

FDIC Logo and Background

Overhead 3

Safety of Financial Institutions

Handout 1

What Does Safety Mean?

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ACTIVITY 1 - DELIVERY NOTES



thinking option to the discussion.

- Note that the term “Others” appears at the end of the “Situation” column. Use this as an opportunity to customize the activity by asking the participants if they can think of additional situations.

One final issue that participants may wonder about is privacy; how secure is the information they share with a bank? If the topic has not already come up, allow for a little discussion, then reassure participants that banks work to keep their information secure. Although policies vary, information is kept confidential. Encourage participants to ask questions about how this is done.

Explain to participants that it is important to work with banks not only because they are safe, but also because they can help you manage expenses – both expected and unexpected. Have participants work individually or in pairs to list ways that banks can help them manage expenses.

After a few minutes, call for time. Ask participants to share some ways that banks help them manage expenses. Record their responses on the flipchart.

Summarize this conversation by displaying “**Overhead 4: Banks Help You Manage Expenses**” and highlighting each point.

Banks can help consumers manage their expenses and help them manage their money as they receive it. Transition this statement by discussing some of the means by which consumers receive money – salaries, loans from a friend or family, or tax refunds.

Write EITC on the flipchart. Ask whether anyone knows what EITC stands for. If no one responds, explain that the EITC is a tax credit for low-income workers and that many people use their refund to open a bank account. Distribute “**Handout 4: The Earned Income Tax Credit.**” Discuss the eligibility requirements and have participants brainstorm ideas for how they could bank an EITC refund. Examples include starting an emergency savings fund, opening a checking account to avoid check-cashing fees, and opening a Certificate of Deposit to save for the future.

Closing

Thank everyone for their participation and encourage them to return for additional sessions. If such sessions are planned, you might provide a “sneak preview” of any activity to come.

Visual Aids

Overhead 4

Banks Help You
Manage Expenses

Handout 4

The Earned Income
Tax Credit

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ACTIVITY 1 - OVERHEAD 1



BANKS & CREDIT UNIONS

TRADITIONAL BANKS	CREDIT UNIONS
A traditional financial institution that issues stock and is owned by its stockholders.	A credit union is a not-for-profit, cooperative financial institution owned by its members.
Banks and Savings & Loan institutions are for-profit entities whose interests include earning a return on their investments.	Credit unions are not-for-profit.
Traditional banks serve customers from the general public. Most anyone can use a bank, subject to its policies.	Credit unions exist solely to serve their members. A person must be within the credit union's field of membership, as defined by its charter, in order to join.
Like other for-profit businesses, banks must pay taxes to the government.	Like other not-for-profit institutions, credit unions are exempt from paying federal income tax.
Most bank deposits are federally insured up to \$100,000 per depositor, per institution by the FDIC, a government agency.	Most credit union deposits are federally insured up to \$100,000 per depositor by the National Credit Union Administration.

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ACTIVITY 1 - OVERHEAD 2



Each Depositor Insured to \$100,000



FEDERAL DEPOSIT INSURANCE CORPORATION

FEDERAL DEPOSIT INSURANCE CORPORATION

- **Established in 1933.**
- **Federal agency.**
- **Protects depositors against certain losses, up to \$100,000 per depositor.**

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ACTIVITY 1 - OVERHEAD 3



SAFETY OF FINANCIAL INSTITUTIONS

COMMERCIAL BANKS

Each Depositor Insured to \$100,000



FEDERAL DEPOSIT INSURANCE CORPORATION

CREDIT UNIONS

Your savings federally insured to \$100,000

NCUA

National Credit Union Administration, a U.S. Government Agency

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ACTIVITY 1 - HANDOUT 1



WHAT DOES SAFETY MEAN?

Would your deposits be covered in the following situations?

YES ✓	NO ✓	SITUATION
		1. The bank president skips town with all the money in the vault. Would your deposits be covered?
		2. Your local bank branch is robbed, and the thief steals \$150,000. Would your deposits be covered?
		3. The Bank Board of Directors makes a series of bad loan decisions that are not paid off, thereby draining the bank's reserves. Would your deposits be covered?
		4. Others?

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ACTIVITY 1 - OVERHEAD 4



BANKS HELP YOU MANAGE EXPENSES

- **Bank Products – such as Savings Accounts – that Help You Save for Emergencies**
- **Direct Deposit**
- **Bill Payment Services**
- **Financial Planning Services**
- **Financial Education Materials**

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ACTIVITY 1 - HANDOUT 2



THE EARNED INCOME TAX CREDIT

What is the Earned Income Tax Credit (EITC)?

The Earned Income Tax Credit (EITC) is a federal tax credit used to reduce the tax burden on low-income working people and to supplement low-income working people's wages.

Low-income workers often use this refund for the initial deposit required to open a bank account and then pay off debt, save for emergencies, or save for long-term goals such as homeownership.

Workers are eligible for the EITC when they earn an annual income that is less than a specified amount. This is possible even if they have no tax liability and no money was withheld from their paychecks for taxes.

Various Types of EITC:

Retroactive EITC

If you qualified for the EITC in previous years, but did not file or claim the credit, you may still file or amend incorrectly filed tax returns for the previous three years to claim a refund.

Advance EITC

If you are eligible for the EITC and have a qualifying child, as well as earned income/adjusted gross income below a certain level, you may qualify for the advance EITC. With this type of EITC, you receive small partial payments of up to \$50 every other week in your paycheck, rather than waiting until you file your taxes.

Complete an IRS Form W-5 and submit it to your employer to request advance EITC payments. You may obtain a copy of this document from your employer's Human Resources contact.

What are the eligibility requirements for the EITC?

In order to qualify for the EITC, a taxpayer must have a Social Security Number and an annual income and/or investment income that falls below a certain level. Contact the IRS, a tax preparer, or a VITA representative to obtain the current income level requirements.