

FINANCIAL INSTITUTIONS **ANSWER KEY**

Understanding how financial institutions and their products work is crucial to financial literacy.

1. Determine if a checking account (C) or savings account (S) is more appropriate in a scenario by writing a C or S next to it.

C You want a debit card so you don't have to carry cash.

S You're setting aside money to buy a car.

S You don't need the money immediately and want it to grow.

C You need to use the money to pay a deposit by check.

2. True or False (circle one):

☒ F Financial institutions have safeguards to protect your money, including federal insurance.

4. Fill in the blanks to complete the definitions.

Principal Owed Transaction Maturity

Interest is money that is earned or owed.

With simple interest, only the principal deposited earns interest.

Checking accounts are considered transaction accounts.

Money in certificate accounts must be left until the maturity date.

3. Match the correct definition with it's correlating vocabulary term.

APY	A fee charged when there isn't enough money in an account to cover an expense.
Overdraft	A number between 300 and 850 that represents a borrower's credit worthiness to potential lenders.
Bounce	When a check is returned because there aren't enough funds to cover the transaction.
Credit Score	A percentage that reflects what you earn with compound interest over a year.

5. What's your biggest takeaway?

Answers will vary.