

Money Wise



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Money Scenario

- You are a sales person at GAP
- You have just been handed a \$100 bill to pay for \$10 worth of clothes
- You wonder if the \$100 bill is real or counterfeit
 - What are the characteristics of money?
 - Does all money have the same characteristics even in other countries?



Counterfeit

Things to look for:

1. Portrait
2. Federal Reserve and Treasury Seals
3. Border
4. Serial Numbers
5. Paper





Money: Anything widely accepted as final payment for goods and services

Characteristics of money

1. Portability
2. Uniformity
3. Durability
4. Divisibility
5. Acceptability
6. Limited Supply



More About Money

- Money is a **medium** of exchange
- Money acts as a **store** of value making it easier to save and invest
- Money acts as a **measure** of value making it easier to compare the value of goods and services
- Money **encourages** specialization by decreasing the costs for exchange



Commodity vs. Fiat Money

Commodity:
has value in itself

- Gold
- Silver
- Copper



Fiat : has value because the government has declared that it is acceptable for paying debts

- U.S. dollar
- Euro
- Tender



Financial Institutions

- Can provide a safe place to hold money
- Help channel money from savers to borrowers
 - Attract savers by offering interest rates on savings
 - ✦ They use the saver's deposits to earn income by lending to borrowers or investing the money in other financial products

Different Types of Financial Institutions

Financial Institutions: an organization that provides financial products and services to consumers

- Bank
- Credit Union
- Savings and Loan
- Insurance Company



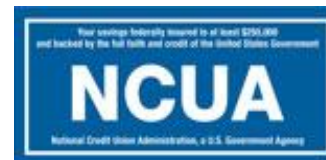
Consumer Protection

- Government protects consumers through regulation/enforcement
 - Federal Reserve System
 - ✦ Central banking system of the United States
 - Securities and Exchange Commission
 - ✦ The mission of the U.S. Securities and Exchange Commission is to protect investors, maintain fair, orderly, and efficient markets



Deposit Insurance

- Some deposit are insured by the following:
 - Banks: Federal Deposit Insurance Corporation (FDIC)
 - Credit Unions: National Credit Union Administration (NCUA)



- **Not all deposits are insured!**

Financial Institution's Services

- Checking
- Savings
- Loans
- Credit Cards
- Financial Planning
- Insurance
- Financial Education



Checking Account

- An account in which a customer deposits money for use and easy access
- Customers usually keep money in a checking account for a shorter period than in a savings account
- Write a check or use a debit card on a checking account



Checking Accounts

- [Compare Checking Accounts](#)
- Compare checking services using the checking comparison worksheet

Savings Account

- A savings account typically entails withdrawal restrictions but can yield a better interest rate than checking accounts



Loans

- Loans are defined as money a lender loans a borrower. The borrower repays the money with interest.

○Mortgage

○Car Loan

○Personal Loan

○Line of Credit

○Credit Cards



Other Services

- Financial Planning
- Insurance
- Financial Education

Benefits of Services

- Check cashing
- Interest earned
- Debit cards
- Ease of bill paying
- Online account management
- Direct deposit
- Automated teller machine (ATM)
- Improved access to loans

Costs of Services

- ATM fees
- Late fees
- Minimum balance fees
- Returned check fees
- Interest on loans



Unbanked Consumers

May have difficulty:

- Cashing checks without paying a service fee
- Mailing bill payments
- Acquiring loans
- Receiving direct deposit income
- Keeping income safe
- Establishing credit

Other Types of Financial Companies

- Payday loan

<http://payday-loan-service-review.toptenreviews.com/>

- Check-cashing

These alternative financial companies typically charge higher rates than banks for their services



Electronic Monetary Transactions

- Direct deposit
- Remote deposits
- Check cards and debit cards
- Automated teller machine (ATM) banking
- Online banking and bill paying
- Online investments
- Wiring of funds

Electronic Monetary Transactions

- Consists of the buying and selling of products or services over electronic systems such as the Internet and other computer networks
- Automated Clearing House (ACH) system is used to process electronic monetary transactions.

Online Banking

- Access account information
- View transaction history
- View check images
- Transfer money between accounts
- Make loan and credit card payments
- Send secure messages to your financial institution
- View statements online
- Pay bills online
- Order checks
- Set up alerts to notify when your balance is low



Research

Complete research on different financial institutions:

1. Virginia Credit Union: www.vacu.org
2. Bank of America: www.bankofamerica.com
3. Navy Federal Credit Union: www.navyfcu.org
4. TowneBank: www.townebankrva.com