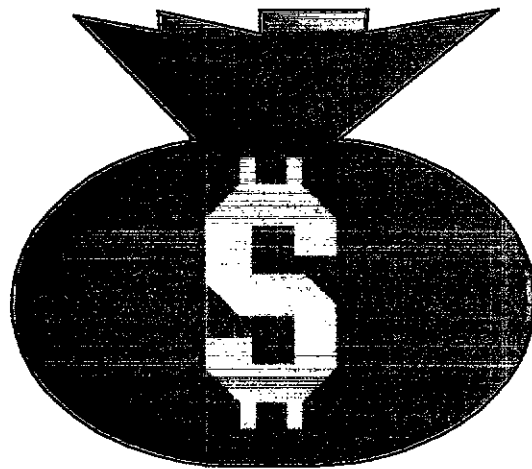


# **FINANCIAL BASICS TO SCHOOL-AGE CHILDREN**



**KOSCIUSKO LEADERSHIP ACADEMY  
CLASS OF 1999-2000**

**PROJECT OF:**

**Linda Owens and Chad Brouyette**

**SPONSORED BY:**

**Lake City Bank**

## FINANCIAL INFORMATION SURVEY

The results of this survey will be used to determine the value of basic financial information if offered as a part of the regular curriculum at TVHS.

**What type of financial information do you feel would be most useful? Please rate the following from 1 to 6, with 1 being the most important and 6 the least:**

- \_\_\_\_\_ Explanation of checking and savings accounts
- \_\_\_\_\_ How to balance a checking account
- \_\_\_\_\_ How to apply/qualify for an installment loan (i.e. auto loan)
- \_\_\_\_\_ Credit card information
- \_\_\_\_\_ College savings/investment options
- \_\_\_\_\_ Retirement plans

**How should this information be offered to the student body? Please check one:**

- As part of the regular curriculum required for all students
- As a special course only for those expressing interest

**Which age group would benefit the most from this information? Please check one:**

- Freshmen
- Sophomores
- Juniors
- Seniors

**Would you personally be interested in this type of information?**

- Yes
- No

**Are you taking any type of financial/accounting courses?**

- Yes
- No

*Thank you for completing this survey.*

## TEST YOUR KNOWLEDGE

### Deposit Accounts

- |   |   |   |
|---|---|---|
| Everyone can have a checking account.   | T | F |
| If you have checks in your checkbook, it's okay to use them.  | T | F |
| It's okay to write a check before you have the money in your account.   | T | F |
| Checks take at least three days to clear your account.  | T | F |
| Once you deposit a check, drawn on another bank, into your account, you can use the funds immediately.          | T | F |
| It is not necessary to reconcile your checking account.   | T | F |
| If you issue a check that is returned due to non-sufficient funds, you will only be charged a fee by your bank. | T | F |
| It is perfectly fine to give your account information over the telephone if someone asks for it.                | T | F |
| Banks are government entities, similar to the I.R.S.  | T | F |

## DEPOSIT ACCOUNTS

- I. Types of Accounts
  - a) Checking
    - Non interest bearing and interest bearing
  - b) Savings
  - c) Time Deposits
  - d) IRA
  
- II. Who Qualifies for a Checking Account
  - a) Age limitations
  - b) Credit history
  - c) What to bring with you
  
- III. Purpose of a Checking Account
  - a) Comparison of checking to savings
  - b) Benefits of a checking account
  
- IV. Life Cycle of a Check
  - a) Account holder issues check
  - b) Check is cashed or deposited
  - c) Runs through Bank of First Deposit system
  - d) Clears through clearing house
  - e) Arrives at issuer's bank
  - f) Posts to issuer's account
  
- V. Responsibility for Deposited Items
  - a) Depositing cash
  - b) Depositing foreign checks
  - c) Fees associated with deposited items that are returned unpaid
  
- VI. Pitfalls of Spending Money You Don't Have
  - a) Charges associated with NSF checks
  - b) Inability to pay for items
  - c) Possible damage to credit
  
- VII. Why you Should Reconcile Your Statement
  - a) Verify items cleared for correct amount
  - b) Verify cleared and outstanding items
  - c) Verify all transactions were initiated by the account holder
  - d) Report discrepancies within the allotted time

## DEPOSIT ACCOUNTS

- VIII. Protecting your Account and Account Number
  - a) Keep your checks in a safe place
  - b) Never give out your account and routing number over the telephone unless you are authorizing a debit to your account for a purchase
  - c) Be wary of scams via telephone and Internet
  
- IX. Other Options
  - a) Telephone and Internet
  - b) Direct Deposit and Direct Debit
  - c) ATM and Debit cards
    - Funds come directly from your account
    - Can use instead of writing a check
    - Can be used to make deposits

## TEST YOUR KNOWLEDGE

### Credit

- A credit card can be issued to a consumer at age 18 with no parental consent or acknowledgment. T F
- Payment history can be reported on credit bureau reports for up to seven years. T F
- Interest rates on credit card debt can be more than double that of interest rates on home mortgages or car loans. T F
- Slow payments on debt not only affects the borrowers credit rating, but may also negatively affect a co-signers credit rating. T F
- Credit problems can result in higher-than-normal interest rates on future loans, higher insurance premiums, larger deposits when renting an apartment, and even the inability to obtain credit at all. T F
- A single charge of \$50.00 can, if allowed to be paid off at the monthly minimum payment, take three years to be paid off and end up costing \$85.00 when interest is factored in at 18%. T F

## HOW CREDIT WORKS

- I. Sources of credit
  - a) Banks and Credit Unions: Most conservative, least expensive
  - b) Finance Companies: Less conservative, more expensive
  
- II. Determining factors in obtaining credit (The four C's)
  - a) Character
  - b) Credit
    - (1) Credit bureau report
    - (2) Payment history
    - (3) Amount of credit already available to borrower
    - (4) Often negatives: Bankruptcy filing, tax liens, lawsuits
  - c) Capacity (ability to make the payments)
    - (1) Income - salary, wages, tips, commissions, etc.
    - (2) Consistency of income
      - (a) Job history
      - (b) If borrower owns his or her own business, what is the performance history of the business?
  - d) Collateral
    - (1) Age and condition of collateral
    - (2) Value (preferably the loan is 80% or less of collateral value at the maximum)
    - (3) Will the collateral depreciate (most equipment, vehicles)?
    - (4) Can the value of the collateral be tracked over the life of the loan?
  
- III. Cost of borrowing
  - a) Cost by loan type
    - (1) Mortgage loan (personal residence) - low
    - (2) Vehicle loan - relatively low
    - (3) Credit card - high
  - b) Cost by institution type
    - (1) Bank, Credit Union - Low (generally loan to borrowers with the best credit history)
    - (2) Finance Company - High (loan to people whose credit is too poor to borrow from a bank)
    - (3) Payday Loan Companies - Highest (loan to poor budgeters with poor credit who must borrow to cover expenses before they receive their next paycheck)