

Personal Financial Literacy



Shay Iacononelli
SVP – Marketing and Education
TrustTexas Bank
121 East Courthouse
Cuero, Texas
Office: 361-275-2345
siacopon@TrustTexasBank.com

Personal Financial Literacy

- **Goals for the Session:**

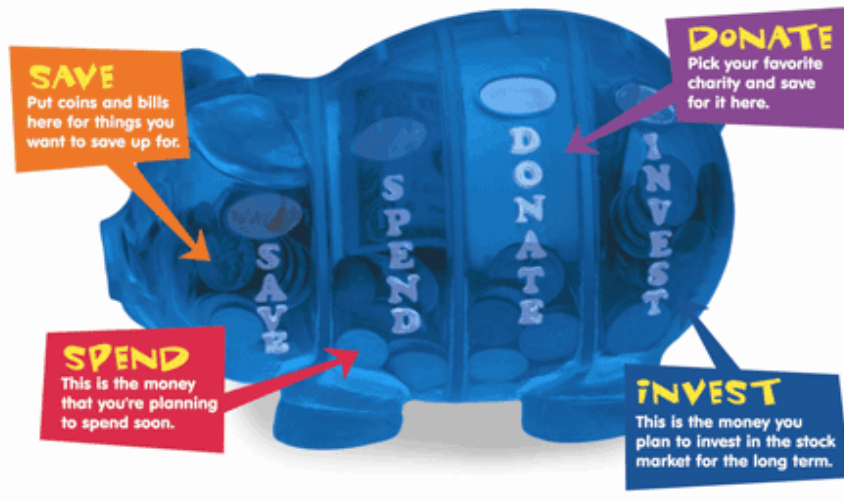
- 1) Discover the different types of bank accounts.
- 2) Why should you use a bank account?
- 3) Tips and tools for making your financial literacy program a success.



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FRM MMDA

Managing Money



www.msgen.com

Managing Money

(Student Activity)

Understand & Identify Wants vs Needs

- electricity, bed, TV, groceries, CD player, breakfast, bike, clothes, dog, watch, soccer shoes, soap, water, candy, toothbrush, school supplies, computer, air conditioning, basketball, backpack

Create Weekly Budget

- Income
- Expenses

Discuss delayed gratification for big ticket “wants”

How being a smart spender can save money

- waiting for sales, buying less expensive items



Dispel The Fear!

• Why open an account?

- 1) Having your money in an account is safer than holding cash.
- 2) A bank account may be a less expensive way to manage your finances than alternatives such as buying money orders to pay your bills or paying a business to cash your paycheck.
- 3) A bank account may help you save money, since it is often easier not to touch your savings if you keep them in a bank or other institution.
- 4) Having a bank account may make it easier to keep track of your money and how you spend it.



Money in the bank is like
toothpaste in the tube.
Easy to take out, hard to
put back.

-Earl Wilson



Types of Bank Accounts

- **Depository institutions may offer a great variety of accounts, but they generally fall within one of these five types:**
 - Checking
 - Money Markets
 - Savings
 - Time Deposits (CD's)
 - Basic or No Frills Bank Accounts



Checking Accounts

- **Demand Deposit Accounts:**
 - Account will not earn interest.
 - You can write checks and use ATM/Debit Cards to retrieve money.
 - No withdrawal limitations
 - Fees are usually imposed for usage.
- **Interest Checking Accounts (NOW):**
 - Account will earn interest.
 - You can write checks and use ATM/Debit Cards to retrieve money.
 - No withdrawal limitations
 - Fees are usually imposed for usage.



Opening a Checking Account

Identification – 2 forms

- Valid Government-issued picture ID
 - Drivers license, state ID card, passport, military ID, resident alien ID, Matricula Consular (Mexico)
- Second form of ID
 - Credit card, employee badge, student ID, union ID

Social Security or tax id number

Home mailing address

Money for opening a deposit



Debit / ATM Cards

- ATM's
 - Usually no fee at your bank
 - Fees at other bank or “owned” ATM's
 - Access to you accounts 24/7
- Debit Cards
 - Looks like credit and charge cards
 - Money comes from your own checking account - immediately
 - Don't have to write a check
- On-line banking
 - 24/7 internet access to your accounts
 - Automatic bill pay
 - Account transfers
 - Open new accounts
 - Paperless – identity theft
 - Account history



Identity Theft

“When someone takes your personal information to commit fraud or theft.”

- Don't respond to “phishing scams” or phone calls asking you verify bank or credit card information.
- Find out how information will be used
- Pay attention to you statements
- Guard your mail from thieves
- Keep you personal items safe
- Use a shredder
- Be smart about PIN numbers
- Review credit report every year
- Shred pre-approved credit offers you receive in the mail
- Report suspicious activity to your bank or credit card company



A Penny Saved Is A Penny Earned!

- **Money Markets:**
 - You will earn interest (usually higher than a NOW account)
 - You can write three checks per month.
 - Limited to 6 transactions per month.
 - Fees are usually imposed for usage.
- **Savings Accounts:**
 - You will earn interest.
 - You may not write checks on the account.
 - Limited to 6 transactions per month.
 - Fees are usually imposed for usage.



Money grows on the tree of patience.

-Proverb

- **Certificates of Deposits:**
 - You will earn interest (usually higher than a MMDA account)
 - You may not write checks on the account.
 - Usually no withdrawals of principal until the date of maturity.
 - You will incur fees if you withdraw principal funds before the date of maturity.



Money isn't everything but it sure keeps you in touch with your children.
 -J. Paul Getty



In A Nutshell..

Type of account	Will I earn interest?	May I write checks?	Are there withdrawal limitations?	Are fees likely?
Regular checking Account	No	Yes	No	Yes
Interest checking account (NOW)	Yes	Yes	No	Yes
Money Market Account	Yes, usually higher than NOW or savings	Yes, only 3 per month	Yes, 6 transfers per month	Yes
Savings Account	Yes	No	Same as MMDA	Yes
Certificate of Deposit (CD)	Yes, usually higher than MMDA	No	Yes, usually no withdrawals of principals until the date of maturity	Yes, if you withdraw principal funds before the date of maturity



Types of Loans to Consumers

- Credit Cards
- Home Equity
- Line of Credit
- Purchase of Large Items (furniture, car, boat)
- Home Loans
- From 401k



Creating a Good Credit History

What is a credit history?

- Banks, credit card companies, insurance companies provide information about your payment history
- A credit score is determined based on your payment history and use of credit and banking accounts

One of the most important assets you have

A bad credit history can result in...

- Being denied credit for a car or home purchase or loan for a major purchase
- Being denied insurance
- Being denied a checking account



Credit (FICO) Scores (Fair Isaac Corporation)

- Range 300 – 850
 - good range begins about 600
- Scoring
 - Payment history = 35%
 - How much you owe = 30%
 - Length of credit history 15%
 - New credit 10%
 - Other factors = 10%
 - i.e. mix of credit products: car loans, credit cards, lines of credit, etc.



I went to the bank and went
over my savings. I found out I
have all the money that I'll ever
need...

If I die tomorrow.

-Henny Youngman



Helpful Websites

- www.aba.com
- www.jumpstart.org
- www.consumerjungle.com
- www.consumer-action.org
- www.usmint.gov/kids/teachers/
- www.bankrate.com



Resources

- Banks for saving, spending, donating and investing
 - Pig, cow, football from www.msgen.com - \$16
- Beginning Personal Finance Organizer from www.msgen.com - \$20



-Chambered moneybox from www.moonjar.com - \$6



- The ABCs of Money from www.moonjar.com - \$17



Don't Forget To Ask!

- Shay Iaconelli
SVP – Marketing and Education
TrustTexas Bank
121 East Courthouse
Cuero, Texas
Office: 361-275-2345
siacopon@TrustTexasBank.com
- Texas Bankers Foundation
 - Jocelyn Carby
203 W. 10th St.
Austin, TX 78701
Phone: (512) 472-8388

