Name____ Date________________

Lesson 3—Handout 1

Guided Notes

Lesson 3 vocabulary

Bank—A depository institution that makes loans and stores deposits.

Interest—A fee for the use of money over time or money earned on a savings account.

Interest rate—The percentage charged for a loan or the percentage paid on a savings account.

Loan—A sum of money lent at interest.

Savers—People who deposit money into the bank.

Borrowers—People who get loans from a bank.

Fully banked—A person who has some form of checking, savings or money market account.

Underbanked—A person who has some form of checking, savings or money market account but has used some form of alternative financial service such as: money order, check cashing service, pawnshop loan, auto title loan or payday loan.

Unbanked—A person who does not have a checking, savings or money market account.

Brick-and-mortar bank—A bank that has physical locations.

Digital bank—A bank that delivers products and services remotely though electronic channels.

Credit union—A nonprofit depository institution that is owned by members.

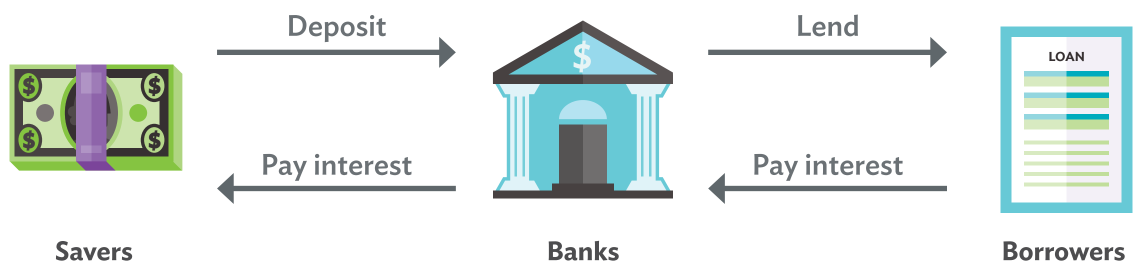
Brainstorm and write down what's wrong with a mattress full of money.

Name____________________ Date____________

Lesson 3—Handout 1

Guided Notes (Cont.)

Use the space below to describe the role of savers, banks and borrowers.



List three incentives for banking below.

1. ____________________
2. ____________________
3. ____________________

Write the characteristics of the different types of bank accounts below.

Checking account	Certificate of deposit
Savings account	**Money market deposit account**

Name____ Date__________________

Lesson 3—Handout 1

Guided Notes (Cont.)

Use the space below to describe the difference between simple and compound interest.

Simple

Definition:

Formula: P x r x t

P = ______________________________

r = ______________________________

t = ______________________________

Compound

Definition:

Formula: P x (1+r)^{t}

P = ______________________________

r = ______________________________

t = ______________________________

Rule of 72 examples: Complete the chart below and solve for how many years it will take your investment to double with the given interest rate.

Interest rate	Years to double
4%	72/4 = 18 years
6%	
9%	
12%	