Savings Accounts

Student Activity Packet

UNIT: BANKING

Name:

Students will be able to:

- Explain the difference between a checking and savings account
- Compare different savings vehicles such as a savings account, CD, and money market account
- Identify important criteria to consider when selecting a savings account

Key Terms:

Vocabulary for this unit can be found in the NGPF Personal Finance Dictionary and NGPF Flashcards.

- **Certificate of Deposit (CD)**
- **Compound Interest**
- **Interest**
- **Maintenance Fee**
- **Minimum Balance**
- **Money Market Savings Account**
- **Online Savings Account**

INTRO

PROMPT:

Use the space below to answer the prompt.

1. **Do you think there is a difference between putting money in a piggy bank and putting it in a savings account?**

LEARN IT

VIDEO: What's the Difference Between Checking & Savings?

You may be tempted to think you're all set once you have a checking account, but it's important to have a savings account, too. Why do you need both? Watch this video about the differences between checking and savings accounts. Then, answer the question.

1. **What are the main differences between a checking and savings account?**

VIDEO: What Is Compound Interest?
Compound interest is often called the eighth wonder of the world! What is compound interest? How can you use it to increase your savings? Watch the video. Then, answer the questions.

1. **How does the age that a person starts saving impact the amount they can earn in compound interest?**

2. **Ben is comparing savings accounts at different banks and finds that most are offering an interest rate of about 1%. How does this low interest rate impact the power of compounding?**

DO IT

QUICK ACTIVITY: Types of Savings Accounts
There are multiple types of savings accounts that can help you meet your savings goals. In this activity, you'll explore and compare four different types of savings accounts. You will research the basics of the accounts and apply what you have learned about those accounts to various saving goal scenarios!

Part I: Research Savings Accounts

1. **Your teacher will put you in teams of 4-6 and assign your group one savings account type:**
   - **Traditional Savings Account**
   - **Online Savings Account**
   - **Certificate of Deposit**
   - **Money Market Account**

   Research your assigned type online with your team, then complete each field below.

Type of Savings Account: _____		
Describe how it works / Draw a picture:	Typical Interest Rate:	Typical Minimum Balance:
	Can you add to balance	Is it FDIC insured?

	regularly?	
	Can you write checks / pay bills directly from it?	Is your money “stuck” for a set time?

2. **When your group finishes researching, present your savings account type to the class. Split the talking points among teammates. While other groups present, fill in the table below for the account types your team didn't cover.**

Type of Account	Description	Interest Rate	Minimum Balance	Can you add to balance regularly?	Is it FDIC insured ?	Write checks / pay bills directly?	Money stuck for a set time?
Traditional Savings Account							
Online Savings Account							
Certificate of Deposit							
Money Market Account							

Part II: Apply Your Knowledge!

Congratulations - you now have a deeper understanding of how various types of savings accounts can be used for different savings goals! Now apply what you've learned. Read each scenario below and pick the best-fit savings account from the options you researched in the table.

3. **Robert wants to get serious about saving for a new car. Which account would you recommend? Why?**

4. **Cindy has built a $45,000 emergency fund over 8 years of working (about 6 months of her salary). It's sitting in her traditional bank's savings account, and she wants to earn more interest on it. Which account would you recommend, and why?**

5. **Janelle saves separately for each goal, including college textbooks. She buys books every 6 months at about $550 a pop, funded by auto-deposits from her twice-monthly paychecks. Her online savings account currently earns 0.75%. Is that still her best option for these monthly deposits? Which account would you recommend, and why?**

EXIT TICKET

Follow your teacher's directions to complete the Exit Ticket.