



30. Personal banking

Duration: 60 min

Objective: To understand how bank deposits work. To be able to calculate interest for money placed in a bank deposit/savings account in different savings situation scenarios.

Materials:

- Annex 1 - one copy/participant

Activity introduction

Present students with the different types of bank deposits and savings accounts.

Present students the method for calculating interest.

Activity instructions

Present students with the scenario in Annex 1. Ask students to give Tom an advice on how to spend his money.

Allow students 15 minutes to complete the task.

Discuss students answers illustrating the following options:

- a. Place all money in a savings account that he can take money out from at any time means that for seven months
- b. Place all the money in a one year deposit where, if he takes money out after seven months, he will lose the interest
- c. Place part of the money in a savings account (e.g. 150 euro that he might need for the plane tickets) and the rest in a one one deposit)

Calculations:

For the savings account:

- 0.85% interest for 12 months means that at the end of the 12 months he will have: 151.275 euro (interest is 1.2675 euro)
- 0.85% interest for 12 months means that at the end of 7 months he will have: 150.743 (interest is 0.743 euro)

For the deposit:

- 1.25% interest for 12 months means that at the end of the 12 months he will have 151.875 euro (interest is 1.875 euro)



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If a deposit is closed before it reached the closing date, the deposit interest is lost.

Annex 1

Read the scenario below. What would you advise Tom to do?

Tom has so far saved 300 euro which he wants to place in a bank. To this end he has two possibilities: to open a savings account for an annual interest rate of 0.85%, or a 6 months bank deposit for an annual interest of 1.25%. Seven months from now he wants to go on a trip and he might need some money. The estimated cost of the planned tickets for the journey he has planned is 150 euro.

Annex 1

During the next 15 minutes, read the scenario below, and identify Tom's needs and wants. Then, discuss the situation with your colleagues.

Tom received a 100 euro gift from his grandparents on his highschool graduation day. He really wants to buy himself a watch and a few new clothes to use during the summer holiday. At the same time, in the fall, Tom will start university in a different city than his hometown and will live in a flat with a colleague. They will have to pay rent. For the first month, he will have to pay the rent and a deposit, all totalling 200 euro, as well as do some minimal room and flat works of approx. 100 euro. His parents can give him a maximum of 100 euro. Over the summer, Tom will work for three months as a waiter at a local restaurant. If he spends the 100 euro he got from his grandparents, Tom thinks he could save the money he will need in the fall from his salary as a waiter. He is not sure, though.



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What are Tom's wants?

What are Tom's needs?

What would you do if you were Tom, and why?
