

Money Matters

Workbook 2 Banking Basics



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THE
READY
COMMITMENT

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ABC Life Literacy Canada gratefully thanks Founding Sponsor TD Bank Group for their generous support of *Money Matters*.

Printed in Canada

Distributed to organizations across Canada by ABC Life Literacy Canada.

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Welcome to *Money Matters!*

We designed *Money Matters* to help you take better care of yourself by taking better care of your money. When you feel good about your money management, you're less stressed, and you have more energy for the things that are important to you.

That's part of what we do at ABC Life Literacy Canada: we help Canadians get the tools they need to increase their literacy so they can live a fully engaged life. *Money Matters* gives you basic, practical information about money. It'll help you better understand spending, borrowing and saving—how you can put the money you have to work for you.

It also shows you ways to reach your long-term goals. You'll learn about registered savings plans for helping your money grow more quickly. Do you have kids? You'll also learn about ways to help you save for their future.

When you're done the program, you'll have new knowledge but also new questions. We have a list of extra resources for you, so you can get answers and keep improving your financial literacy.

We hope you enjoy *Money Matters!*

Sincerely,

Mack Rogers, Executive Director
ABC Life Literacy Canada

Workbook 2

Banking Basics

“There’s a place for me... but where?”

Learning Outcome:

Know your banking choices, and choose what’s best for you.

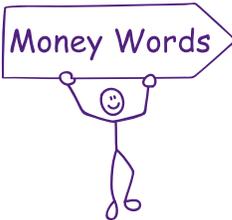


What Will You Learn?

This workbook is about banks and banking, and the choices available to you.

You’ll learn about **personal bank accounts**, and which type might best suit you and your money needs.

You’ll learn about what a bank can do for you, and how it can save you money.



A **personal bank account** is a safe place to put your money and help you save.

Some types of personal bank accounts are **savings accounts**, **chequing accounts**, and a **combination** of both.

A Place for Your Notes:

Activity 1



Getting in Touch With Your Money

A self-assessment quiz

What to do

- Check off the statement that best applies to you.
- Think about your money, your family, your life.
- Where do you go when you need money or have a cheque to cash?

- I go to a cash store.
- I go to a teller at a bank.
- I use a bank machine.
- None of the above applies to me. Here's my situation:



A **cash store** is a business that cashes cheques or lends you money for a fee, such as a payday loan or cash advance.

The fee is often much more than you would pay at a bank.

A Place for Your Notes:

Activity 2

Group Discussion



When talking about money or at a bank, do you feel uncomfortable?

You're not alone. A lot of people do.

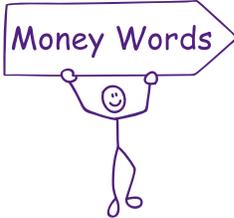
Why do you think people often feel this way?

What might put people more at ease?

What would make you feel more comfortable?



Many people think all banks are the same. They think they all offer the same services for the same price. But that's not true.

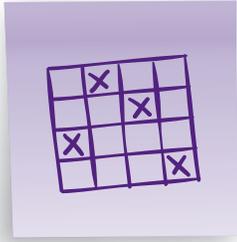


A **bank** takes cash deposits, lends money and provides other money services. You can set up a **personal bank account** at a bank.

A bank is a **financial institution**. Other financial institutions are trust companies, credit unions and caisse populaires.

A Place for Your Notes:

Activity 3

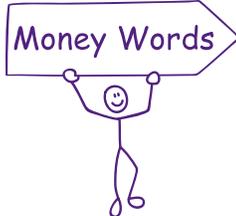


Bank Lingo, Bank Bingo

Learning words used when banking or talking money matters is one way to help a person feel more at ease.

Here are two group activities to help you become familiar with money words and money tasks.

1. Use the Bank Bingo card on the next page to learn about money words and tasks from other people in the group. Get group members to put their initials in a square that applies to them. Call Bingo when you get a line (or the whole card) filled with initials.
2. Play a game of Bank Bingo. Place a coin or chip on each square that is “called out” when the statement applies to you.



A **savings account** is an account where you earn interest on the money you put into it.

A **chequing account** is an account where you can write cheques, pay bills, and do other personal money tasks. It pays little or no interest.

A **combination account** is part savings, part chequing.

A Place for Your Notes:

Bank Lingo, Bank Bingo

B	I	N	G	O
I have a piece of photo I.D.	I have a chequing account	I have my paycheques "directly deposited" into the bank	I write cheques	I use a spending plan or budget
I pay cash when buying things	I pay with a debit card when buying things	I pay with a credit card when buying things	I use a bank machine	I keep my PIN and passwords secret
I save money for an emergency	I have a savings account	FREE 	I shop around to get the best bank account deals	I know the fee when a cheque is NSF ("bounces")
I do my banking in person at a bank	I do my banking on the telephone	I do banking online	I have a credit card	I owe money on a credit card or a loan
I check my bank book or statements	I know the interest rate of my store credit card	I read the information box on a bill	I know the fee for a payday loan or cash advance	I talk to a bank employee to get questions answered

Adapted from Basic Skills for Living Project Manitoba Association of Home Economists.

Activity 4

Meet Tenzin and Riley



Tenzin

Tenzin received a tax credit in the mail from the Government of Canada. He is short on cash, and needs the money to get through to his next payday. There's a bank open across the street, but he figures it won't cash his cheque, since he doesn't have an account there. He really wants the money right now. He's used the cash store before to get a pay day loan, so Tenzin decides to go there.



The most expensive form of credit is the pay-advance loan. After you add the fees and service charges onto the interest, these loans can cost you 700-1000%.

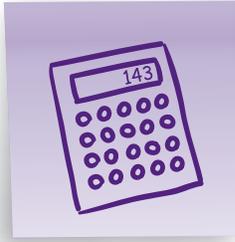


Riley

Riley has two children, a three-year-old son and a baby girl. She receives a monthly Canada Child Benefit cheque. Riley is thinking about starting a Savings Account for extra things the kids need as they grow older, and maybe deposit her Canada Child Benefit cheque into the account each month. Riley doesn't have the extra money right now to set it up. She thinks she has to wait until she does.

What's Your Story?

Activity 5



Do the Money Math

If you borrow \$100 for a pay-advance loan, and the cost of the loan ends up being 700%, how much will you pay?

How to figure it out

1. Look at the percentage and multiply that by the original amount borrowed.

The Math...

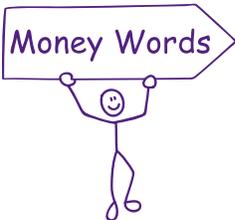
$$\begin{array}{ccccccc} 700 & \times & 100 & = & 70,000 \\ \text{the percentage} & & \text{the original} & & \\ & & \text{amount borrowed} & & \end{array}$$

2. Divide the answer by 100.

If you borrow \$100 for a pay-advance loan, and the cost of the loan ends up being 700%, you'll pay \$700 in fees.

You'll still need to pay back the money you borrowed, so in total you'll pay $\$100 + \$700 = \$800$.

That's a lot of money to borrow \$100!



Percentages are parts of 100. Another way to say it is "out of" 100.

The symbol for percent is %.

Here are examples:

- 10% equals 10 out of 100
- 50% equals 50 out of 100
- 89% equals 89 out of 100



Try This

Work with a partner. Figure out how much you will pay if the loan ends up being 1000%.

More Money Math

Page 8 introduced you to percentage as a math calculation to determine how much it costs to borrow money. We all need to borrow money from time to time, but it is important to know how much a loan can cost.

Percent is a mathematical number that means part of 100. To figure out the cost of borrowing, you multiply the percentage by the amount borrowed. Percentage is represented by the percent number, divided by 100 (the total number of percent available).

Example:

A loan is given to you for 5% annual interest. To determine 5% as a decimal, use your calculator to divide 5 by 100. A percent can also be represented by a fraction.

$$5\% \text{ as a fraction: } \frac{5}{100}$$

$$5\% \text{ as a decimal: } 5 \div 100 = 0.05$$

To calculate the interest you will pay in one year, multiply 0.05 (5%) times the amount of the loan.

$$\begin{array}{r} \text{Amount of loan: } \$150.00 \\ 5\% \text{ interest: } \quad \times 0.05 \\ \hline \text{Total Interest: } = \$7.50 \end{array}$$

(this is the "cost" of the loan)

Then, add the Total Interest to the amount of loan to calculate how much you have to pay back.

$$\begin{array}{r} \text{Total Interest: } \quad \$ 7.50 \\ \text{Amount of loan: } \quad + \$150.00 \\ \hline \text{Total amount to pay bank: } \quad \$157.50 \end{array}$$

Now you try it with the following examples.

Amount of Loan: \$40.00
Interest Rate: 15%

Amount of Loan: \$200.00
Interest Rate: 25%

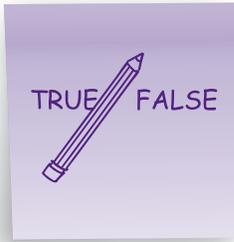
Amount of Loan: \$300.00
Interest Rate: 30%



Money Challenge

Use what you learned in this activity to do the math on a loan you have made, or one you are planning to make in the future.

Activity 6



True or False

Read the statement below.

A Canadian bank must cash your Government of Canada cheque for free, even if you're not a customer.

Circle one: **TRUE** **FALSE**

Take a group vote through a show of hands.

How many people think the statement is true?

How many think it is false?



A **Government of Canada cheque** is a cheque issued to you from the federal government. Here are some examples of *Government of Canada cheques*:

- Employment Insurance • Old Age Security
- GST/HST credit • Canada Child Benefit
- Income Tax refund



Group Discussion

Where do you cash your Government of Canada cheques?
Do you pay to have them cashed? How much do you pay?



Did Tenzin make a good money decision about where to cash his cheque?



In two surveys of Canadians who used cash stores, almost a third (that's 1 out of every 3) of the people cashed *Government of Canada cheques* that they could have cashed free at any bank.

Newcomer Finances Toolkit

Activity 7



Your Money Rights

Did you know...

1. Under Canadian law, you have the right to cash your Government of Canada cheque for free.
2. You can cash a Government of Canada cheque for free at any bank, even if you are not a customer.
3. You can cash your Government of Canada cheque at any bank branch in Canada that has tellers.
4. If your cheque is for more than \$1,500, a bank can decide not to cash it.

Financial Consumer Agency of Canada

Cashing a provincial cheque.

Each province has different rules when it comes to cashing a provincial government cheque. Research your province or territory's rules so you know your rights.

A Place for Your Notes:

Activity 8



Question and Answer

Q. What do I need to cash my Government of Canada cheque at a bank?

A. One piece of photo identification (I.D.).

Q. But what if I don't have photo I.D.?

A. You can still cash your Government of Canada cheque by showing two other pieces of I.D.

Q. But what if I don't have two other pieces of I.D.?

A. Someone can vouch (give their word) that you are the person whose name is on the cheque. The bank needs to know this person.

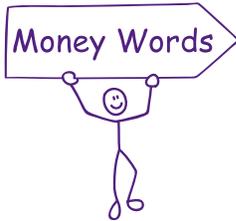


Photo I.D. is a piece of identification that has your photo and your signature on it.

A driver's license is an example of photo I.D.



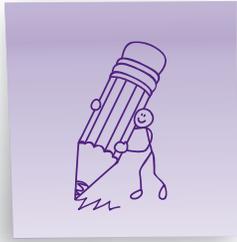
Group Discussion

What kinds of I.D. do group members have? Make a list.

Could these pieces of I.D. be used to cash a cheque or do other things at a bank?

A Place for Your Notes:

Activity 9



Try This

Below are some examples of I.D. that you could show at a bank to cash a Government of Canada cheque, or to set up a personal bank account.

Put a check beside the I.D. that you have.

Yes I have...	✓
a Canadian driver's license	
a Social Insurance Number (SIN) card	
a Canadian birth certificate	
a Passport that is current	
an Old Age Security card with my SIN on it	
a debit card or bank card that has my signature on it	
a Canadian credit card that has my name and signature on it	
a Certificate of Indian Status	
a Certificate of Canadian Citizenship or Certification of Naturalization	
a Permanent Resident card	



Money Challenge

Don't have I.D.? Talk to your instructor about how you can get a piece of I.D. Then apply for it.

Activity 10



Group Discussion

Remember Riley’s story? Read together the statements below about her, and discuss the questions.

What do you think?

1. Riley wants to set up a Savings Account but isn’t sure the bank will let her right now, since she doesn’t have extra cash to put into it at the moment.

Does she have to wait?



2. Suppose Riley doesn’t have a job.

Does that mean the bank won’t let her open up the account?

3. Suppose Riley had fallen on bad times in the past, and had to declare bankruptcy.

Does that mean the bank won’t let her open up an account now?

A Place for Your Notes:

Activity 11

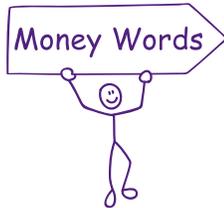


Your Money Rights

Under Canadian law, you have the right to open a **personal bank account**. You can open an account even if:

1. You don't have a job.
2. You don't have money to put into the account right away.
3. You have been bankrupt.

Financial Consumer Agency of Canada



Online banking is when you do your banking on a computer connected to the Internet.

Tele-banking is when you do your banking by phone.

You can set up your **personal bank account** so you can do banking on your computer or on your phone.



Group Discussion

Is it hard to open a bank account?

If you have a bank account, what has been your experience?

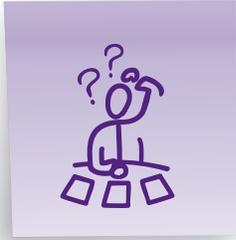
Step by Step

What steps will Riley need to take to open up her bank account?

Answers

1. Riley needs to go in person to the bank of her choice.
2. She needs to show the bank I.D.

Activity 12



What Are My Personal Bank Account Choices?

1. You can set up a **savings account**. You'll earn interest on the money you put into it.
2. You can set up a **chequing account**. You'll be able to write cheques, pay bills, and do other personal money tasks on this account. You'll earn little or no interest.
3. You can set up a **combination account**. This account is part savings, part chequing. You'll be able to do your personal money tasks, and earn a little bit of interest.



Remember: bank accounts are products like anything else! Shop around for them. Compare perks and prices. Make sure you're getting the best account for you.

Low-cost bank account

You can also choose a low-cost bank account. You'll pay a fee, but you'll get some services included with the account.

The fee is about \$4 or less.

You'll pay extra fees if you use more services or transactions per month than are part of the low-cost account. If you set up a low-cost account, be sure to know about the extra fees.

A Place for Your Notes:

What will I get with a low-cost bank account?

1. No extra fees to deposit money
2. Use of a **debit card**
3. You can write cheques
4. You get a statement or a bank book showing the money you put into the account and took out in a month
5. You usually get 8 to 15 **debit transactions** per month free, at least 2 of them face-to-face with a teller



Many banks offer their services in packages: you pay a monthly fee and get a bunch of things. Pick the package that makes the most sense for your life right now. It'll save you money.

What's important to you?

Think about your own money needs and goals.
What personal bank account best suits you? Why?

Do you have a bank account now? Is it the right one for you?

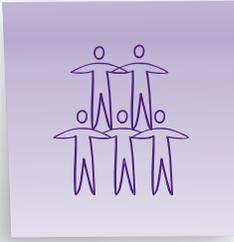
Money Words



A **debit transaction** is when you take money out of your account, such as: writing a cheque, using a bank machine, or paying with a debit card at a store.

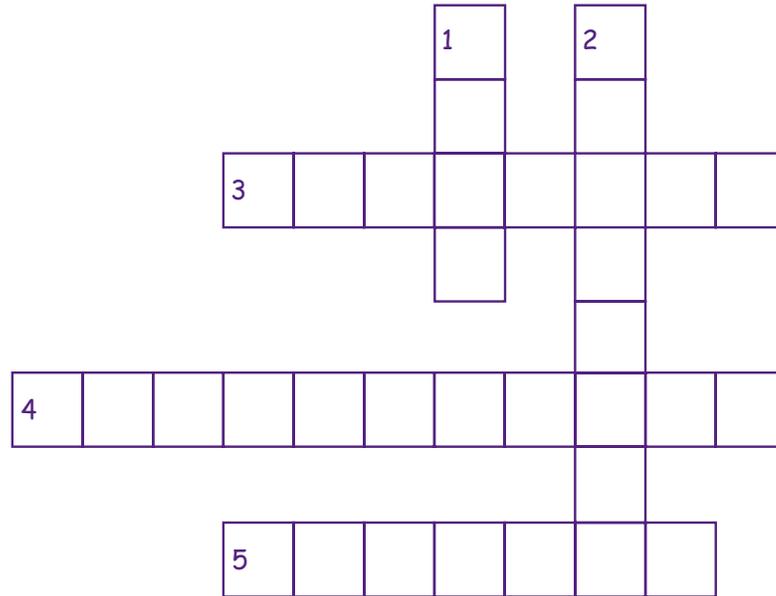
A Place for Your Notes:

Activity 13



Try This Group Activity

Work with a partner or the group to solve this Bank Account Crossword puzzle.



Hint

Choose from these money words:

- Chequing
- Combination
- Fees
- Interest
- Savings

Check the last page of this Unit for the crossword solution.

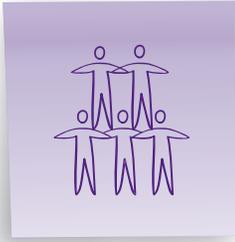
Down

1. What a bank charges you for using a bank account.
2. You earn little or no interest on this account. You can pay bills and write cheques from it.

Across

3. What a bank pays you for keeping money in your account.
4. This account is part savings, part chequing.
5. You might earn a small amount of interest on the money you put in this account. You can make deposits and withdraw money.

Activity 14



Try This Group Activity

Brainstorm a list together of the kinds of things to consider when choosing a bank that best suits you. Here are some ideas.

- Are there branches and bank machines for that bank nearby to me?
- What are the bank hours?
- What are the bank fees for the account I want?
- How much interest will I get on my savings account?
- Can I write cheques? Do I pay a fee? Does it cost me money to order cheques?
- Will I pay extra if I use a different bank's bank machine? How much?
- Is the bank staff friendly and willing to answer my questions?



What's the best savings account?
The one that pays you the most interest.

The best checking account?
The one that charges you the lowest fees.

A Place for Your Notes:

Activity 15



What's Important to You?

What do you want to know about a bank before you set up an account? What's important to you?

Use the list you made with the group to get ideas. Write down questions you would ask at the bank based on your own needs.

I'd ask...

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____



Banks are about people, too. Pick a bank where you feel treated well.

A Place for Your Notes:

Activity 16



Act It Out!

Brainstorm together a list of questions that the bank employee might ask a person when he or she comes into the bank to set up a personal bank account.

Use this list, and the list of the questions you created in the previous activity, to “act out” setting up a personal bank account.

In partners, one person plays the bank employee and the other person a customer. Then switch roles.

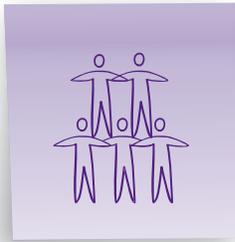
Variation

One person volunteers to be a customer. The instructor plays the bank employee.

In front of the group, “act out” setting up a personal bank account (including the I.D. the customer will need).

A Place for Your Notes:

Activity 17



Try This Group Activity

Did you learn something new about banking that you didn't know? Maybe something that surprised you?

Do you feel more comfortable about using a bank?

What would you like to learn, or know, or do that would increase your confidence about banking?

Share your thoughts with group members.



Money Challenge

Check out a bank close to where you work, live or go to school. Does it offer what you want in a bank? If not, try another bank until you're satisfied.

Learning More

You can contact the Financial Consumer Agency of Canada (FCAC) when you need help and information about banking.

Toll-free telephone: 1-866-461-3222

Email: info@fcac.gc.ca

A Place for Your Notes:

A Place for Your Notes:

A Place for Your Math:

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A Place for Your Notes:

A Place for Your Math:

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bank

a financial institution that takes cash, lends money and provides other money services

cash and payday loan stores

places where you can get cash advances and short-term loans quickly, but that will cost you a lot in fees and high interest rates

chequing account

a personal bank account that lets you write cheques, pay bills, and complete other personal money tasks

combination account

a personal bank account that is part savings, part chequing

debit card

a card that lets you pay for things electronically directly from your personal banking account, such as when buying something at a store

debit transaction

when you take money out of your account, such as when writing cheques or withdrawing money at a bank machine

financial institution

a bank or another place (such as a credit union or trust company) that offers money services

Government of Canada cheque

a cheque from the federal government, such as Employment Insurance or a Child Tax Credit cheque

online banking

when you do your banking on a computer hooked up to the internet

percentages

parts of 100, or “out of” 100

personal bank account

a bank account that lets you save money, and do everyday financial transactions such as pay your bills

photo I.D.

a piece of identification that has your photo and signature on it, such as a driver’s license or current passport

savings account

a personal bank account that pays you interest on the money you put into it

tele-banking

when you do your banking by phone



Congratulations!

You've now completed Workbook 2 of *Money Matters*, a program designed to help you make your money work for you.

You've taken an important step to a better understanding of how to take care of yourself by taking care of your money. This is called **financial literacy**.

We hope you've learned things that you can put to practice in your life. We also hope that you feel more comfortable going to a bank or another financial institution to ask questions, get advice, and choose the best money option for you.

Don't forget! Remember!

Now please take the time to finish filling out the course evaluations. This will help us to improve the course and make changes you need.





Thank you for participating
in the *Money Matters* program.

