



ABOUT THIS TOPIC:

Exploring what banks do builds understanding of the benefits of setting aside money for future use by saving it in a bank.

FROM THE CLASSROOM:

What is a bank? A bank is a business where people can deposit and withdraw their money.

How do banks work? Banks offer you a safe place to keep your money and pay you interest by using your deposits to make loans. When you have a savings account, you are lending money to the bank. The bank lends your money to other people. They pay the money back to the bank with interest. The bank gives you a small amount of the money they make.

Why is it important to save? When you save, you will have money to use in the future. It also ensures you will have the money you may need in case of an emergency or a special event.

What is interest? Interest is the amount you earn from deposits in your savings account.

Why would keeping money in a bank be more useful than saving money at home? Money kept in a bank is safe and can earn interest. Money kept at home does not earn interest.

Why is it important to save for emergencies? Emergencies are unexpected. If you save for emergencies, you will not have to worry about how to pay for them. You will already have the money saved.

WORDS TO KNOW:

Bank: A financial institution and business that accepts deposits and makes loans.

Emergency Fund: Money set aside to pay for unexpected expenses.

Interest: Money that a bank or other financial institution pays you for keeping money on deposit with them, or the amount of money you pay a bank as a fee when you borrow money.

Save: Setting something, like money, aside to use in the future.

Savings Account: A bank account that you can use to set aside money, and that pays you interest.

RESOURCES:

BOOKS:

- *Banking (How Economics Works)* by Barbara Allman: Discover all about banks and banking, including savings accounts and key banking terms.
- *I Got Bank! What My Granddad Taught Me About Money* by Teri Williams: Jazz Ellington is a 10-year-old boy with a bank account who knows how to save money.
- *Saving Money (How Economics Works)* by Philip Heckman: Learn about banks and secrets to saving for the future.



GAMES AND ONLINE RESOURCES:

- **Hands on Banking *Program for Kids***: Explore budgets, credit, and other money lessons with a friendly alien guide. <http://www.handsonbanking.org/htdocs/en/k>
- **PBS *Mad Money***: Test your budgeting skills and save for emergency situations. http://pbskids.org/itsmylife/games/mad_money_flash.html

CONVERSATION STARTERS ... ASK YOUR CHILD:

- **If you received a gift of \$20, would you spend it or save it? Why?**
- **Is there anything unexpected that you need to buy with an emergency fund? Why might having an emergency fund be a good idea?**
- **Are you saving money to buy something? If so, how do you plan to reach your goal?**
- **Why might it be a good idea to keep your money in a bank?**

TRY THIS AT HOME:

Decorate a Savings Container: Have your child create and decorate a savings container to keep money in one place until she or he can make a bank deposit.

TRY THIS AROUND TOWN:

Count Businesses: Count how many businesses you see as you walk or drive around town. Explain that most business owners saved money to help pay for the things they needed to start their business.

Search for Banks: See how many different banks you can spot as you travel around town. If you have time, stop by for a visit.

TRY THIS AT THE BANK:

Learn the Interest Rate: If you haven't yet opened an account for your child, open one. Ask a bank teller to explain the saving account interest rate to your child.

Check Your Balance: After several months of your child making savings account deposits, go to the bank to check on her or his balance to see how much interest was earned.