

# FOR Kids



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## CHAPTER 1

# What Is a Bank?

*Why should I save money in a bank?*

**A bank is a business that accepts deposits and makes loans.** When your money is in an FDIC-insured bank, you don't have to worry about it being lost or stolen; it will be safe until you are ready to use it.

When you put your money in a bank, it is called a deposit. Usually, money is deposited in either a savings account or a checking account.

A savings account allows you to deposit your money to save for specific reasons, like a new bike, or for things you may want in the future, like a college education. Think of your savings account as a place to store money so you can make it grow by adding to it a little at a time.

On the other hand, a checking account is generally used for everyday purchases, like groceries or lunch. You can withdraw the money in a checking account using a check, debit card, or automated teller machine (ATM) card. You probably have seen ATMs at the grocery store or outside a bank. When you write a check or use a debit or ATM card, the money is subtracted from your checking account. You will need to use your math skills to know how much money you have left after each time you take money out of your account.

### WHY SHOULD I SAVE MONEY?

It is important to save money for many reasons. Sometimes you want to buy something, like that new bike mentioned earlier, and you do not have all the money now. So, you want to save until you have enough. For example, you might want to save your allowance, your birthday money, or money you earn from doing jobs until you have enough to buy it.

Adults try to save money for emergencies. What if the car breaks down or needs a new tire? What if the refrigerator stops working? These are things we use every day and they need to be fixed or replaced right away. Having some extra money set aside really helps when these things happen.

### WHY IS IT IMPORTANT TO SAVE MONEY IN A BANK?

When you put your money in a bank, it is safe. You don't have to worry about a fire or a flood destroying your money. You also don't have to worry about misplacing your money or anyone taking it if it is safely kept in the bank.

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Another reason you want to save money in a bank is the Federal Deposit Insurance Corporation (FDIC). The FDIC is an insurance company and its biggest job is to protect the savings of millions of Americans in banks across the country.

Since the FDIC was established in 1933, no depositor has lost a penny of FDIC-insured money.

Not all banks are protected by the FDIC, though. When you choose a bank for your

money, make sure that it is FDIC insured. FDIC-insured banks are important places to keep your money. They protect your money and they can help you make it grow.

## Student Questions

What is a bank?

What is a deposit?

What is a savings account?

What is a checking account?

What can you use to get money from your checking account?

Give three reasons why you would put money in an FDIC-insured savings account.

- 1.
- 2.
- 3.