

# Bank On It: A Banking Success Story

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It was Beth's 16<sup>th</sup> birthday when Beth and her parents decided that it was time for Beth to have her own **checking account**. Beth was starting her first job in a few weeks and they wanted her to be able to **deposit** her paycheck safely in an account where she could later **withdraw** her money when she needed it. Her parents also hoped that Beth would write **checks** out of the account rather than carrying so much cash (which was not as secure). Depositing her check at a bank was going to save Beth a lot of money in fees in comparison to going to a **currency exchange** to cash her check.

Beth and her parents went to the bank. They were able to open an account that was **FDIC insured**. This meant that the US federal government would stand behind the money Beth deposited in the bank and protect her deposit so that she could always count on it being available to her.

At the bank, Beth's banker told her about **certificates of deposit (CDs)**. Beth learned that she could purchase a CD at the end of the summer with the \$1000 she expected to have saved from her earnings. The CD

would also be FDIC insured but would earn **interest** for Beth. This meant that the bank would pay Beth money for the use of her money or just for keeping her funds in the CD at the bank for the specific time that was agreed upon.

The CD Beth hoped to obtain would earn 5% **APR (annual percentage rate)** over 5 years. This means that Beth would earn 5% per year on the money she had deposited originally (her **principal**) as well 5% per year on interest she had earned. This is also referred to as **compound interest**.

Beth plans to manage her checking account wisely by balancing her account. This involves matching the checks she writes, her deposits, and her withdrawals with her statements and making sure she always has enough money in her account so that she keeps her fees low. This also prevents bouncing checks (having checks returned for not having enough money in the account to pay them). This will eventually help Beth build a positive credit record.

With her first checking account, Beth is on her way towards a successful financial future!

*\*Dates and names have been changed.*

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