

Lesson Description

After discussing basic information about debit cards, students work in pairs to balance a bank account statement and calculate the costs of using a debit card irresponsibly. The students then conduct a survey as an out-of-class activity, collecting and interpreting data on debit card usage in their area. The students analyze the advantages and disadvantages of using credit cards and debit cards.

Concepts

Automated Teller Machine (ATM) card
Automated electronic transfer
Check
Checking account
Debit cards
Overdraft
Overdraft service

Objectives

Students will:

- Define the terms listed in the “Concepts” section of the lesson.
 - Explain the importance of taking responsibility for personal finances.
 - Describe advantages and disadvantages of standard overdraft services.
 - Analyze the consequences of not being responsible in keeping a current bank-account balance.
 - Explain the importance of maintaining records of deposits, withdrawals and payments from bank accounts.
 - Compare the advantages and disadvantages of different card-payment methods.
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Content Standards

National Standards in K-12 Personal Finance

Financial Responsibility and Decision Making: Apply reliable information and systematic decision making to personal financial decisions.

- **Standard 1:** Take responsibility for personal financial decisions.
 - Eighth-grade expectation 1: Identify ways to be a financially responsible young adult.
 - Eighth-grade expectation 2: Give examples of the benefits of financial responsibility and the costs of financial irresponsibility.
 - Twelfth-grade expectation 1: Explain how individuals demonstrate responsibility for financial well-being over a lifetime.
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- **Standard 4:** Make financial decisions by systematically considering alternatives and consequences.
 - Eighth-grade expectation 3: Evaluate the results of a financial decision.

Planning and Money Management: Organize and plan personal finances and use a budget to manage cash flow.

- **Standard 3:** Describe how to use different payment methods.
 - Eighth-grade expectation 1: Discuss the advantages and disadvantages of different payment methods, such as stored-value cards, debit cards and online payment systems.
 - Twelfth-grade expectation 1: Demonstrate skill in basic financial tasks, including scheduling bill payments, writing a check, reconciling a checking/debit account statement, and monitoring printed and/or online account statements for accuracy.
- **Standard 4:** Apply consumer skills to purchase decisions.
 - Eighth-grade expectation 1: Explain the relationship between spending practices and achieving financial goals.

Credit and Debt: Maintain creditworthiness, borrow at favorable terms and manage debt.

- **Standard 1:** Identify the costs and benefits of various types of credit.
 - Eighth-grade expectation 1: Explain how debit cards differ from credit cards.

Time Required

180-240 minutes

Materials

- Visuals 3.1, 3.2 and 3.3
- A copy of Handout 3.1 cut into strips, with each strip cut in half so that terms and their definitions are two different pieces of paper
- A copy of Handouts 3.2, 3.3, 3.4, 3.5, 3.6, 3.8 and 3.9 for each student
- Four copies of Handout 3.7 for each student plus a copy for each group of four students
- A copy of Handout 3.10, cut into strips
- Two large sheets of chart paper
- A copy of Handouts 3.3 Part II, 3.5, 3.6, 3.10—Answer Keys for the teacher
- A copy of Handout 3.11 for half the students
- A copy of Handout 3.12 for half the students
- A calculator for each student

- Optional: small prizes for students who succeed with Handouts 3.11 and 3.12
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Procedures

1. Tell the students they will be learning about debit cards. Randomly distribute the cut-apart terms and definitions from *Handout 3.1: Debit Card Terms* to the students. Tell the students that some of them have terms that need to be matched to definitions, and others have definitions that need to be matched to terms. Allow a few minutes for the students to circulate around the room to find matches. When every student has found a match, allow time for each pair of students to read their matched term and definition to the class. Ensure that each pair of students is correctly matched.
2. Explain that these are all personal finance terms about which they will learn in this lesson. Have students return to their seats.
3. Ask the students if they or someone in their household has a checking account. Explain that a **checking account** is an account held at a bank or credit union into which account owners deposit funds. This means funds are added to the account. The account owners can also withdraw or remove funds from an account. Explain that funds can be withdrawn from a checking account by electronic transfer, check, with an ATM card or debit card. Explain that responsibility is important in maintaining a checking account. An account holder must keep a record of deposits and withdrawals to prevent an overdraft. Explain that an **overdraft** occurs when an account holder does not have enough money to cover transactions from checks, ATM withdrawals, debit card purchases, or electronic payments.
4. Tell the class that consumers sometimes choose to use an **automatic electronic transfer** to pay expenses. Explain that this is an online payment that is automatically deducted from the account balance on a recurring basis. Cell-phone bills, car payments and utility bills, such as gas and electric bills, are examples of the type of payment that people often choose to pay with an automatic electronic transfer.
5. Explain that consumers can also use checks to withdraw funds from their bank accounts. Define a **check** as a printed form directing a bank to withdraw money from an account and pay it to another account. Consumers who have checking accounts can write checks to pay for purchases.

6. Ask the students if they are familiar with ATMs. Tell the class that “ATM” is the abbreviation for “automated teller machine.” Emphasize that an **ATM card** is used to access a computer that allows a bank customer to get cash, make deposits or transfer money between accounts. ATMs are found in banks and many other convenient locations and can be used 24 hours a day, seven days a week. Banks usually provide their customers with ATM cards as a free service. However, when an account holder uses an ATM card at an ATM that is from a different bank, there is usually a fee charged for the transaction.
7. Explain that a **debit card** is a “pay now” point-of-sale transaction card that replaces cash and checks. Debit card transactions are deducted electronically from a cardholder’s savings or checking account. Debit cards differ from ATM cards because they can be used to make purchases, and they differ from credit cards because they are not loans.
8. Explain other considerations for using debit cards.
 - Unlike credit cards, which cap your liability for unauthorized charges at \$50, your liability for a debit card depends on the situation. If you notify the bank within two business days of discovering an unauthorized transaction, your maximum liability is \$50. However, if you don’t notify the bank until after those first two days, you could lose up to \$500.
 - It can be more difficult to deal with problem transactions involving damaged or defective purchases, major purchases or items purchased online because of the more limited protections in cases of unauthorized transactions or disputes.
 - A temporary hold on your funds is made when making some purchases. If the final purchase price is unknown when a debit card is swiped, the hold can be for more than the actual purchase. For example, when you check into a hotel, a hold is placed on your funds for the cost of your anticipated stay. Until the final transaction is processed, which could take a day or more, you will not have access to that amount in your account.

SOURCE: www.fdic.gov/consumers/consumer/news/cnfall09; *Debit vs. Credit Cards: How They Stack Up*

9. Explain that in the past, most banks automatically enrolled customers in a standard overdraft service for all types of transactions. Define an **overdraft service** as a service provided by financial institutions to generally approve and pay overdraft transactions when the account holder does not have enough funds to cover the transactions in return for a fee.
10. Explain that because of the increasing percentage of bank overdrafts triggered by debit cards and ATM transactions, the rules for standard overdraft service have been changed. Effective July 1, 2010, financial institutions are required to provide customers a notice that explains overdraft services including ATM cards and debit card transactions, and consumers must be given a choice as to whether the overdraft service will apply to debit card and ATM transactions.

11. Distribute a copy of *Handout 3.2: Overdraft Service*. Tell the students that this form is similar to one that a financial institution is required to send to account holders under the new rules.
12. Divide the class into pairs. Instruct each pair of students to work together to read the contents of the handout and underline 10 things that would be important to an account holder.
13. Allow time for each pair of students to share information considered important. (*Responses will vary but should include all content on the form.*)
14. Distribute a copy of *Handout 3.3: Debit Cards in the News, Part I* to each student. Divide the class into four groups. Assign each group one of the paragraphs on the handout. Explain that their assigned paragraph is a news report. Instruct each group to work together to develop a presentation based on the content of their paragraph. Encourage the groups to design a visual as part of their news report presentation. (Visuals might include graphs, charts, illustrations or graphics.)
15. Distribute a copy of *Handout 3.3: Debit Cards in the News, Part II* to each student. Explain that as each of the four news reports are presented, they should write answers to the questions based on the presentations given.
16. Allow time for each group to present its news reports. After presentations have been given, allow time for class discussion. Guide the discussion using *Handout 3.3: Debit Cards in the News, Part II—Answer Key*.
17. Display *Visual 3.1: The Causes of Overdrafts* and discuss the causes of overdrafts according to the 2008 survey cited on the visual. Explain that the percentage of overdrafts from each category will change based on the actions of consumers. Ask the students to predict the percentage change in categories for the future.
 - Which category will probably decrease? (*The check category will probably decrease as more consumers use fewer checks.*)
 - Which categories will probably increase? (*The electronic and debit/ATM categories will probably increase as consumers use these services more.*)
18. Explain that taking responsibility for personal financial decisions includes being responsible when using a debit card. Because debit card transactions are deducted electronically from a cardholder's bank account, it is important to maintain current bank-account records. Banks usually provide account information online, and an increasing number of consumers view their accounts online. Like a printed account statement, however, an online account statement is not always a reliable reflection of a bank account balance. An account holder may have written a check that has not yet been presented to the bank for payment by the time the online statement is produced, for example, or a recurring electronic transaction may be scheduled after the most recent online statement is produced. Also, occasional errors can be made on an account. These are some of the reasons that maintaining an up-to-date bank-account balance is important.

19. Provide each student with a calculator and three handouts—*Handout 3.4: Jane’s Bank Account*, *Handout 3.5: Jane’s Bank Account Register* and *Handout 3.6: Analyzing Jane’s Transactions*. Divide the class into pairs and allow each pair of students to work together to complete the three handouts.
20. After the students have completed the three handouts, allow time for class discussion and to review answers using Handouts 3.5 and 3.6 answer keys. Ask the class the following questions:
 - Would you describe Jane as being financially responsible? Why or why not?
 - What advice would you have for Jane? (*Answers to both questions may vary but should include information on the importance of recording all transactions in a bank-account register in a timely manner to avoid bank overdrafts. Jane did not do this, and as a result she lost currency to fees. Answers should also reflect Jane’s decision to have the overdraft service on debit card and ATM transactions and the cost of the service.*)
21. Display *Visual 3.2: The Plastic of Choice*. Ask students to compare the 2003 data and the 2008 data as shown in the charts. Discuss possible reasons for the increasing popularity of debit cards across the nation. (*Answers may vary but should include advantages of using a debit card, such as convenience, automatic deduction with no bills to pay and no fees unless an overdraft occurs.*)
22. Remind the students that the information on Visual 3.2 is from data collected on a national level. Ask the students the following questions about how data collected in their community might compare with the national data:
 - Do you think debit cards are the plastic of choice in this locality?
 - Do you think debit card usage will increase in this locality in the next few years? (*Answers to both questions will vary. Accept all answers as valid thoughts based on limited information.*)
23. Tell the students that they will collect data related to debit card usage at the local level for a homework project. Give each student four copies of *Handout 3.7: Debit Card Survey*. Instruct the students to use the survey forms to interview four adults, using a separate survey form for each adult and asking each adult all the questions on the form. Remind the students that to protect the confidentiality of the information they collect, they should not put any adults’ names on the survey forms. Tell the students to bring their completed surveys back to class by the specified date.
24. When the students have brought the completed surveys to class, display *Visual 3.3: Debit Card Survey Results*. Divide the class into groups of four to tabulate the collected survey data and summarize the findings. Provide a copy of Handout 3.7 to each group. When students have completed summarizing the data by group, record and summarize the findings on Visual 3.3 and discuss the results.

25. Instruct the students to assume the role of news reporters. Their assignment is to use data and information collected in the debit card survey to write a news story on the use of debit cards and payment methods in their locality. The students should convert the numerical data to percentages for their stories. Stress the importance of objectivity and confidentiality in their stories to protect the survey participants.

Closure

26. Divide the class into pairs. Provide each pair of students a copy of *Handout 3.8: The Pros and Cons of Debit Cards* and a copy of *Handout 3.9: The Pros and Cons of Credit Cards* (the subject of lesson two). Instruct each pair of students to complete the handouts together by listing advantages and disadvantages of using each type of card.
27. When each pair of students has completed the handouts, discuss the advantages and disadvantages of each method of payment. Ensure the discussion includes the following advantages and disadvantages:
- **Fees:** Credit cards have late fees, over-the-credit-limit fees and interest fees according to the terms of the card. Debit cards may have an overdraft fee, which is charged if a cardholder has requested the overdraft service and spends more than is in his or her account. If a cardholder has not chosen to have the overdraft service, a transaction will be declined at the point-of-purchase. This could be embarrassing. Think about going to a restaurant, ordering and enjoying a meal and then having a debit card declined.
 - **Convenience:** A credit card holder receives a monthly statement indicating a balance that must be paid by a specific date. Purchases with a debit card are automatically deducted directly from a bank account, and there is no statement balance to be paid.
 - **Choice:** A credit card allows a consumer to wait until the statement is due to choose to pay a minimum amount or more, depending upon the consumer's budget. The full amount of a debit card purchase is deducted from a bank account immediately. There is no choice on when to pay or how much to pay when using a debit card.
 - **Responsibility:** Whether using credit cards or debit cards, consumers have the responsibility to monitor their accounts and meet the terms of the card to avoid fees.
 - **Incentives:** Credit cards often offer incentives to consumers, whereas debit cards do not. Credit cards allow consumers to build credit; debit cards do not help build credit.
 - **Liabilities:** Unlike credit cards, which cap liability for unauthorized charges at \$50, the liability for a debit card depends on the situation. If a bank is notified within two business days of discovering an unauthorized transaction, the maximum liability is \$50. However, if a bank is not notified within two business days, the loss can be up to \$500.

- Consumer Protection: Debit cards offer more limited protection in cases of unauthorized transactions or disputes. Credit cards sometimes allow withholding payment while disputes are investigated.

Assessment

28. Tape one piece of chart paper labeled "Debit Card" on one wall of the classroom and a second piece of chart paper labeled "Credit Card" on another wall. Pass out the eight strips cut from *Handout 3.10: Debit or Credit?* to eight different students. Tell the students to decide if the description on their strip refers to a debit card or a credit card and to walk to a spot near the appropriate piece of chart paper. After the eight students have moved to the charts, call on each student to read his or her sentence strip aloud. Ask the class to applaud to designate their agreement. After checking to be sure students are located in the correct places, have them return to their seats.
29. Distribute one copy of *Handout 3.11: Banking on Debit Cards, Part I* to half the class and one copy of *Handout 3.12: Banking on Debit Cards, Part II* to the other half. Tell the students to choose any five of the terms on their handout and write a brief definition of those terms in the same space as the term.
30. Tell the students that they will now play a game using their copies of Handout 3.11 and Handout 3.12. Explain that you will randomly call out a term from the handouts. If a student has written a definition on his or her card for the word that is called out, the student should mark an "X" through that space. The first student who has all five of his or her boxes marked this way wins the game, provided the student can define all five terms correctly.
31. Begin the game by calling out terms randomly from Handouts 3.11 and 3.12. After calling out each term, allow time for the students to search their copies of the handouts and mark an "X" if they have defined a called-out term. When a student indicates he or she has marked all five terms, ask the student to define the five marked terms. If the student cannot define all five terms correctly, play continues until another student has marked and correctly defined the five terms. Play the game for more than one round. (Optional: Give a small prize to the winner of each round of play.)

Extension Activities

1. Tell students to survey different banks to identify the overdraft fee each bank charges and to bring the results of their surveys to class on a specific date. When the students bring their collected data to class, ask them to find the average, mode and median overdraft fees charged.
2. Using Handout 3.7 as a guide, challenge the students to design, conduct and analyze a survey about the use of ATM cards.

Visual 3.1: Causes of Overdrafts

Bank Fees ■ 0.6%

Electronic ■ 26.5%

Check ■ 26.6%

Debit/ATM ■ 46.3%

SOURCE: Center for Responsible Lending, by Julie Snider, *USA TODAY*, Jan. 25, 2007

Visual 3.2: The Plastic of Choice

- **Debit cards account for 33 percent of in-store transactions.**
- **Credit cards account for 19 percent of in-store transactions.**
- **In three years, debit card use will account for more than half of all retail purchases.**

SOURCE: "Avoid These Debit Card Traps" by Teri Cettina, *Reader's Digest*, Jan. 2008, pp. 124-129.

Handout 3.1: Debit card Terms

<p>ATM</p>	<p>A form of debit card used in a cash machine by punching in a code or personal identification number. A computer is accessed to get cash, make deposits or transfer money between accounts.</p>
<p>Bank-account register</p>	<p>A tool in which an account holder lists the initial balance in an account and then records all debits and credits in order to maintain an accurate record of account activity and an accurate balance.</p>
<p>Bank statement</p>	<p>A record given to an account holder by a bank or credit union to keep the account holder informed of all transactions made during the statement period. These statements are sent on a regular basis or posted online.</p>
<p>Check</p>	<p>A printed form directing a bank to withdraw money from an account and pay it to another account.</p>
<p>Checking account</p>	<p>An account held at a bank or credit union into which account owners deposit funds. Account owners have the privilege of writing checks on these accounts and are able to use ATM cards and debit cards to access funds.</p>
<p>Financial responsibility</p>	<p>Making well-thought-out decisions about earning, spending and saving money; keeping financial records, staying out of debt and so on.</p>
<p>Credits</p>	<p>Additions or deposits to an account. In a bank-account register, these are added to the balance.</p>

Handout 3.1: Debit card Terms—cont.

Debit card	A card provided as a service by a bank that allows a point-of-sale transaction that replaces cash and checks; transactions are deducted electronically from a cardholder's bank account.
Debits	Charges to an account. In a bank-account register, these are subtracted from the balance.
Deposit	An addition of funds to an account balance.
Fees	Money charged for service to an account, such as when a payment is late or when an account holder creates an overdraft.
Overdraft fee	A penalty fee required for having a negative balance in an account.
Withdrawal	The removal of cash from an account, either at a bank or an ATM.

Handout 3.2: Overdraft Information

CCC Bank Anytown, USA

Information on Overdrafts, Overdraft Service and Overdraft Fees

(This overdraft policy will be effective beginning July 1, 2010, for all new accounts and effective beginning August 15, 2010, for all accounts existing prior to July 1, 2010)

An overdraft occurs when you do not have enough money in your account to cover a transaction, but the CCC Bank pays the amount of the transaction anyway. CCC Bank pays overdrafts at its discretion, which means that CCC Bank does not guarantee that it will always authorize and pay any type of transaction. If CCC Bank does not authorize and pay an overdraft, your transaction will be declined. CCC Bank can cover an overdraft in two different ways:

1. CCC Bank offers standard overdraft practices that come with your account. **This notice explains our standard overdraft service.**
2. CCC Bank also offers overdraft protection plans, such as a link to a savings account, which may be less expensive than the standard overdraft practices. To learn more, ask about these plans.

What is the standard overdraft service that comes with my account?

CCC Bank **does** authorize and pay overdrafts for the following types of transactions:

1. Checks and other transactions made using your checking account number
2. Automatic bill payments

CCC Bank does not authorize and pay overdrafts for the following types of transactions unless you request this service:

1. ATM transactions
2. Debit card transactions

What fees will I be charged if CCC Bank pays my overdraft?

Under the standard overdraft service:

CCC Bank will charge you a fee of **\$34** each time it pays an overdraft.

If your account is overdrawn for 5 or more consecutive business days, CCC Bank will charge an additional \$5 per day. There is no limit on the total fees CCC Bank can charge you for overdrawing your account.

What if I want CCC Bank to authorize and pay overdrafts on my ATM and point-of-service debit card transactions?

If you want CCC Bank to authorize and pay overdrafts on ATM and point-of-service debit card transactions, you must complete the authorization form below and return it to CCC Bank. *Failure to complete and return the form will result in ATM and debit card transactions being denied if your account does not have funds to cover the transactions.*

Authorization for Overdraft Services for Debit Card and ATM Transactions

I authorize and request that CCC Bank pay overdrafts on my ATM and debit card transactions.

Printed Name: _____

Signature _____

Date: _____

Handout 3.3: Debit Cards in the News—Part I

Debit Cards: What are they?

Although most consumers have a checking account, every year people use fewer and fewer checks. Today consumers increasingly use debit cards instead of checks. A debit card is a service offered by banks. It allows a point-of-sale transaction that replaces both cash and checks. Debit-card transactions are deducted electronically from a cardholder's bank account. Consumers agree that debit cards are easier and faster than writing a check and are more convenient than using cash. Additionally, because the amount of a debit-card purchase is deducted from the account holder's bank account, there is no interest paid as their might be with the use of a credit card.

Debit Cards: What's Happening?

Consumers are using debit cards both more frequently than in the past and for increasingly smaller transaction amounts. In October 2009, the Center for Responsible Lending reported that nearly three-quarters of checking account customers had a debit card, with active card users averaging 17 debit card transactions per month. As a result, debit card usage has exceeded credit card usage since 2005.

At the same time, the average debit card transaction size has decreased by about four percent per year, with more than a quarter of all debit card transactions now conducted for purchases of less than \$10. People between the ages of 18-24 are more likely to use a debit card for small purchases than those older than 24.

Debit Cards and ATMs: There's More to the Story

The November 2008 FDIC Study of Bank Overdraft Programs reports that debit card transactions are the most common way to overdraw bank accounts. The report states that 48.8% of overdraft transactions were from debit cards and ATMs while 30.2% were from checks. According to research done by the Center for Responsible Lending, Americans paid nearly \$24 billion in overdraft fees in 2008, which was a 35% increase from 2006. This report also states that the average overdraft fee charged was \$34. Think about the cost of using a debit card for a soft drink for which you paid \$1 if that purchase caused you to overdraw your bank account and caused your bank to impose a \$34 overdraft charge! Wow—\$35 for a soft drink would definitely be throwing currency away!

Debit Cards and ATMs: Consumers Make Decisions

Many consumers prefer to have overdraft service to cover important bills, such as checks used to pay rent and utilities and not have overdraft services on debit card and ATM transactions. In response, the Federal Reserve Board has implemented new rules. Beginning July 1, 2010, a consumer must request the overdraft service for ATM and one-time debit card transactions. Financial institutions must provide consumers information about overdraft services and fees charged and give consumers a choice. Customers who do not choose to have the overdraft service will have debit card and ATM transactions declined. According to Federal Reserve Chairman Ben Bernanke, "Both new and existing account holders will be able to make informed decisions about whether to sign up for overdraft service."

Handout 3.3: Debit Cards in the News—Part II—Answer Key

1. Why are debit cards popular with consumers?
(Debit cards are easier and faster than writing checks and are more convenient than using cash. There are no interest fees, and there is no debt to repay.)

2. How has consumer usage of debit cards changed?
(Consumers are using debit cards both more frequently than in the past and for increasingly smaller transaction amounts.)

3. Where is the danger of “throwing currency away” when using debit cards?
(People throw currency away when they incur overdraft charges.)

4. How are debit card holders affected by the new Federal Reserve rules?
(Consumers will have to choose to have the overdraft service on debit cards and ATM transactions. It will not be provided unless a customer “opts” in to the service. If they choose not to have this service, close attention should be given to keeping an accurate bank balance to avoid having transactions declined. If they choose to have this service, close attention should be given to keeping an accurate bank balance to avoid overdraft fees.)

Handout 3.4: Jane's Bank Account

Jane has a job at The Happy Diner. When she gets paid, she deposits her paycheck in her checking account at XYZ Bank. Jane chose this bank for her checking account because she is a student, and this bank provides free checking to students. This means the bank does not charge any monthly service fee on a checking account, although there is a \$35 fee for any overdrafts. The bank also provides a free debit card to use with the checking account. Jane likes the idea of being able to write checks and use a debit card from the same account. She thinks having a debit card is much more convenient than having a credit card. First of all, there is no monthly statement to worry about paying because purchase amounts come directly out of her bank account. She does not have to be concerned about paying the interest fees that are associated with a credit card. She has read that some of the interest rates on credit cards can be very high.

Jane has a bank-account register, but she has not kept it up to date. Usually, because the bank sends her a statement at the end of each month, she looks at the ending balance on the bank statement to see how much money she has in her account. Knowing that she had \$468.75 in her account on the bank statement she received on March 1, she was confident that she could pay her normal bills using checks—car payment, insurance payment on the car, gas for the car and cell phone bill. For most other things, she would use her debit card because the amount was usually small, and it was more convenient than writing more checks.

Problem:

Jane had several transactions for March. Refer to the transactions below and record them in her bank-account register to find her ending balance. To record the transactions, use the information given for checks. Use the abbreviations "DC" for a debit card purchase and "DEP" for a deposit. If the transaction is an expense that will be deducted from Jane's account, record it in the "Debit" column. If the transaction is a deposit and will be added to Jane's account, record it in the "Credit" column. In the event that Jane is overdrawn, use the abbreviation "OD" and deduct the overdraft fee. Record any overdrafts in the Debit column.

March Transactions for Jane

March 10 — Jane wrote check number 204 to ABC Finance Company for \$410.00.
March 16 — Jane deposited her paycheck from The Happy Diner for \$250.00.
March 16 — Jane wrote check number 205 to FGH Insurance Company for \$178.00.
March 17 — Jane used her debit card for an \$11 purchase at a fast food restaurant.
March 17 — Jane used her debit card for a \$17.00 purchase at the drug store.
March 18 — Jane wrote check number 206 to Cell Talk for \$54.00.
March 19 — Jane used her debit card for a \$12.00 purchase at a discount store.
March 20 — Jane wrote check number 207 to the gas station for \$36.00.
March 25 — Jane used her debit card for a \$2.50 purchase at a fast-food restaurant.
March 26 — Jane used her debit card for a \$3.00 purchase of school supplies.

Handout 3.5: Jane’s Bank Account Register—Answer Key

Jane’s Bank Account Register									
Check Number	Date	Transaction Description	Payment, Fee, Withdrawal, Debit (-)		Deposit, Credit (+)		Balance		
		Beginning balance					\$468	75	
204	3/10	ABC Finance Company	\$410	00			\$58	75	
Dep	3/16	The Happy Diner			\$250	00	\$308	75	
205	3/16	FGH Insurance	\$178	00			\$130	75	
DC	3/17	Purchase	\$11	00			\$119	75	
DC	3/17	Purchase	\$17	00			\$102	75	
206	3/18	Cell Talk	\$54	00			\$48	75	
DC	3/19	Purchase	\$12	00			\$36	75	
207	3/20	Gas station	\$36	00			\$	75	
DC	3/25	Purchase	\$2	50			-\$1	75	
OD	3/25	Overdraft fee	\$35	00			-\$36	75	
DC	3/26	Purchase	\$3	00			-\$39	75	
OD	3/26	Overdraft fee	\$35	00			-\$74	75	

Handout 3.6: Analyzing Jane's Transactions

Directions: After completing Jane's bank account register, answer the following questions:

1. What problems could have been prevented if Jane had recorded all transactions in her bank account in a timely manner?
2. How much, if any, currency did Jane end up "throwing away" because of overdraft fees?
3. On March 25, Jane used her debit card to buy food at a fast-food restaurant. How much did this transaction actually cost Jane?
4. On March 26, Jane used her debit card to purchase school supplies. How much did this transaction actually cost Jane?
5. If no other transactions occur before the April bank statement, what will Jane's beginning balance be on the April bank statement?
6. How many debits did Jane make from March 10 through March 26?
7. What was the total dollar amount of all debits made from Jane's account from March 10 through March 26?
8. How many credits were made to Jane's account from March 10 through March 26?
9. What was the total dollar amount of all credits made to Jane's account from March 10 through March 26?
10. How does responsibility relate to using a debit card?

Handout 3.6: Analyzing Jane's Transactions—Answer Key

Directions: After completing Jane's bank account register, answer the following questions:

1. What problems could have been prevented if Jane had recorded all transactions in her bank account in a timely manner? *(She would have known that she had only 75 cents left in her account after writing the check to the gas station on March 20. She could have prevented two overdrafts.)*
2. How much, if any, currency did Jane end up "throwing away" because of overdraft fees? *(\$35 + \$35 = \$70.00 currency "thrown away" because of overdraft fees)*
3. On March 25, Jane used her debit card to buy food at a fast-food restaurant. How much did this transaction actually cost Jane? *(\$2.50 + \$35 overdraft fee = \$37.50)*
4. On March 26, Jane used her debit card to purchase school supplies. How much did this transaction actually cost Jane? *(\$3.00 + \$35.00 overdraft fee = \$38.00)*
5. If no other transactions occur before the April bank statement, what will Jane's beginning balance be on the April bank statement? *(-\$74.75)*
6. How many debits did Jane make from March 10 through March 26? *(nine)*
7. What was the total dollar amount of all debits made from Jane's account from March 10 through March 26? *(\$793.50)*
8. How many credits were made to Jane's account from March 10 through March 26? *(one)*
9. What was the total dollar amount of all credits made to Jane's account from March 10 through March 26? *(\$250.00)*
10. How does responsibility relate to using a debit card? *(A person must be responsible in recording all debits and credits in a bank-account register; otherwise there may be overdrafts and fees.)*

Handout 3.8: The Pros and Cons of Debit Cards

Advantages

1. _____

2. _____

3. _____

4. _____

5. _____

Disadvantages

1. _____

2. _____

3. _____

4. _____

5. _____

Handout 3.9: The Pros and Cons of Credit Cards

Advantages

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

Disadvantages

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

Handout 3.10: Debit or Credit

When you use this card to order expensive furniture by phone, and it never arrives, and the furniture company cannot be located, the card company must remove the questionable charge from your bill while it investigates the charges.

When you use this card to order expensive furniture by phone, and it never arrives, and the furniture company cannot be located, the money will be taken from your bank account by the company, and your bank does not have an obligation to investigate.

When you use this card you will not have to pay interest charges.

When you use this card you can have an interest-free loan when the full balance is paid off at the end of the billing period.

When you use this card you are liable for no more than \$50 if fraud occurs, according to federal law.

This card is a convenient form of borrowing with a revolving line of credit.

A consumer used this card to purchase \$84.85 and one year later owed \$365.79 on this account because of fees and penalties that were added to the account.

This card is a service offered by banks and is used for a point-of-sale transaction. It replaces both cash and checks.

Handout 3.10: Debit or Credit—Answer Key

When you use this card to order expensive furniture by phone, and it never arrives, and the furniture company cannot be located, the card company must remove the questionable charge from your bill while it investigates the charges. (*credit card*)

When you use this card to order expensive furniture by phone, and it never arrives, and the furniture company cannot be located, the money will be taken from your bank account by the company, and your bank does not have an obligation to investigate. (*debit card*)

When you use this card you will not have to pay interest charges. (*debit card*)

When you use this card you can have an interest-free loan when the full balance is paid off at the end of the billing period. (*credit card*)

When you use this card you are liable for no more than \$50 if fraud occurs, according to federal law. (*credit card*)

This card is a convenient form of borrowing with a revolving line of credit. (*credit card*)

A consumer used this card to purchase \$84.85 and one year later owed \$365.79 on this account because of fees and penalties that were added to the account. (*credit card*)

This card is a service offered by banks and is used for a point-of-sale transaction. It replaces both cash and checks. (*debit card*)

Handout 3.11: Banking on Debit Cards—Part I

BANKING ON DEBIT CARDS				
debits	withdrawal	fees	credits	debit card
bank	deposit	ATM	account	check
credit card	financial responsibility	free	currency	bank statement
benefit	bank-account register	overdraft fee	decisions	purchase
service	checking account	consumer	cash	expenses

Handout 3.12: Banking on Debit Cards—Part II

BANKING ON DEBIT CARDS				
purchase	bank-account register	credit card	deposit	credits
financial responsibility	ATM	check	debit card	bank
account	withdrawal	free	fees	debits
overdraft fee	decisions	benefit	bank statement	checking account
consumer	cash	expenses	service	currency

