Student ____________________ Date ____________________

Class ____________________ Instructor ____________________

CHAPTER 30 Savings Accounts

Key Words: Completion

DIRECTIONS: Write the letter for the key word that best completes each sentence below.

a. certificate of deposit (CD)

b. compound interest

c. Federal Deposit Insurance Corporation (FDIC)

d. inflation risk

e. liquidity

f. maturity date

g. money market deposit account

h. money market fund

i. opportunity cost

j. savings

k. simple interest

1. __________ is money put aside for future use.

2. Putting off spending money now to get something later is called __________.

3. __________ is earned only on the money you deposited into your savings account.

4. A __________ requires you to deposit a minimum amount of money in an account for a minimum period of time.

5. A __________ is a kind of mutual fund put into a variety of short-term debts by business and government.

6. The __________ is a government agency that insures bank accounts.

7. The ability to quickly turn an investment into cash is called __________.

8. __________ is the risk that the rate of inflation will increase more than the rate of interest on savings.

9. A __________ is a kind of mutual fund that the federal government insures.

10. The __________ of a CD is the when the money becomes available to you.

11. __________ is earned on both the principal of an account as well as any interest earned from the principal.

Student ______________________ Date ______________________

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CHAPTER 30 Savings Accounts

Key Concepts: True/False

DIRECTIONS: If the statement below is true, circle the letter T. If the statement is false, circle the letter F, then write the correct version in the space provided.

1. The amount of money you save depends on how much of your income you're willing not to spend. T F

2. If you put off buying a car to save for a college education, your college education is the opportunity cost of the car. T F

3. It's never too early to start saving for your retirement. T F

4. All savings earn income. T F

5. Banks pay interest on savings accounts in exchange for using the savings to lend to others. T F

6. Compound interest earns you less money on your savings than simple interest. T F

7. With most traditional accounts, you can incur a penalty charge if you withdraw your money before a certain time. T F

8. The interest you earn on a CD is greater than a regular savings account. T F

9. The FDIC only insures accounts with $100,000 or more in them. T F

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CHAPTER 30 Savings Accounts

Analytical Skills 1: FDIC

DIRECTIONS: *According to its Web site, the goal of the Federal Deposit Insurance Corporation (FDIC) is "to maintain the stability of and public confidence in the nation's financial system. To achieve this goal, the FDIC has insured deposits and promoted safe and sound banking practices since 1933." Assume that you plan to place your money in a commercial bank that insures your account through the FDIC. Answer the following questions about that bank.*

1. Up to what amount will your account be insured?

____

2. You deposit $200 in your savings account. The current interest rate at the bank is 5½ percent per year. If you leave your savings in your account for 6 months, how much interest could you earn?

____

3. Your local credit union has just advertised that your deposits may earn 6¼ percent annual interest. Compare the amount of interest you will earn in the bank with the amount you will earn if you switch your $200 to a credit union account. In each case, you will leave the money in the account for 1 year.

   Bank: ______________________

   Credit union: ______________________

4. Your savings account has a balance of $846.59. You withdraw $175. How much will be left in the account?

____

5. If you left the amount from question 4 in your savings account for 1 year and it was earning 5½ percent interest, how much interest would you earn?

____

6. How much money would you have in your savings account after adding interest to the balance?

____

7. If you had $500,000 to put into savings and wanted to make sure that the FDIC insured all of it, what should you do?

____

____