

# Banking on the Future



People develop lifelong relationships with their local banks. See the diagram on the classroom poster that illustrates how banking will always be a part of your life!

**At Birth:** When twins Sara and Tom were two years old, their parents put \$5,000 into Certificate of Deposit accounts for each of them. These accounts would grow over the next sixteen years to help pay for the twins' college fees.

**Childhood:** By the time they were ten years old, the twins had each saved a little money. Their parents helped them open Statement Savings accounts.

**Building a Future:** At age sixteen, both Tom and Sara started working at part-time and summer jobs, and each opened a checking account. At age eighteen, both started college. They each had some money for college, but still needed to take out loans. Together with their parents, they visited the bank and took out loans. *Here's where you come in—this is the critical time to manage your finances! Tom and Sara, much like you, are teens going out into the world. They have lots to look forward to, including working for the first time and saving their own money to buy special things. Think about your own goals as you read on and see how important planning really is!*

**Building a Life:** After college, Sara got a job. She got her first credit and debit cards. Sara

married, and soon she and her husband applied for a mortgage—and bought a home. A few years later, their first baby was born. Sara and her husband opened a savings account for their child's college education.

After college, Tom decided to open a retail store with his fiancée. They applied for and received a small business loan. In just a few years, the business was going strong and they got married. Together, they opened up a retirement account at their local bank because they planned on an early retirement. Sara and her husband, with a second child on the way, were spending a lot on their credit cards. To manage their finances, they took out a home equity loan and paid off their credit cards, which had higher interest rates. They kept only one credit card—to use in emergencies.

**Retirement:** When Tom and his wife were sixty years old, their business had grown to become a chain of small retail shops. Their retirement fund had grown, too. They decided to sell their business and retire. Working through their bank, they handled their business transactions, invested their money, and then purchased an RV.

Sara and her husband retired at age sixty-five. They paid off their mortgage. They opened savings accounts for their grandchildren's college educations, and placed their retirement fund in safe investments.

**Students: If you think that banks are only about storing money and cashing checks, you're missing the big picture.**

Banks are necessary to the American economic system. Bank loans make it possible for students to attend college, for businesses to get started, and for people to buy and sell homes and land. Banks manage investment trades and facilitate the process of getting people paid.

**To learn more about banking, check out some of the following Web sites:**

[www.aba.com](http://www.aba.com) (American Bankers Association) Click on "consumer connection" to find a wealth of information about banks and banking.

[www.kc.frb.org/fed101](http://www.kc.frb.org/fed101) (Federal Reserve Bank Education Site) An educational site to help you discover the history, purpose, and services of the Fed.

[www.practicalmoneyskills.com](http://www.practicalmoneyskills.com) (Visa) Offers useful information about how money works, including hands-on classroom activities for teenagers.

[www.chicagofed.org/consumer\\_information/money\\_matters.cfm](http://www.chicagofed.org/consumer_information/money_matters.cfm) (Federal Reserve Bank of Chicago) A good resource for enhancing your understanding of the monetary system.

[www.jumpstart.org](http://www.jumpstart.org) (Jump\$tart! Financial Smarts for Students) Includes a clearinghouse of information about financial resources online.

[www.yacenter.org](http://www.yacenter.org) (Young Americans Center for Financial Education Foundation) Helps young people understand and use the American economic system. Includes a bank specially designed for people under the age of twenty-two.