



Money and Banking

Functions of Money

- **Money has three basic functions no matter what kind of economy it is used in.**
- **First Function: Money is a medium of exchange between individuals**
- **Second Function: Money is a standard of value for goods and services**
- **Third Function: Money can be recognized when you decide to keep it instead of spending it. Money serves as a store of value.**

Characteristics of Money

- **There 6 characteristics of money**
- **Over history other kinds of objects have been used as money like salt, furs, grains, gold, etc.**
- **These types of money worked well in the short term and their region of the world, however they lacked one or more of the following characteristics**

#1

- **Our money is generally acceptable**
- **Regardless of where you go the currency we use will be accepted in some form**



#2

- **Our money can be counted and measured accurately**
- **We know that \$1 or \$100 bills are exact**



#3

- **Our money is durable and not easily destroyed**
- **The paper stock used is stronger and more durable than traditional paper**



#4

- **Our money is convenient and easy to carry and use**
- **Unlike fish or even coins our money is easy to transport on our person**



#5



- **Our money is inexpensive to produce**
- **When using gold or silver that is more valuable**
- **Other types of money may be labor intensive**

#6



- **The supply of our money is easily controlled**
- **Because our government can control money they are able to back and protect our finances**

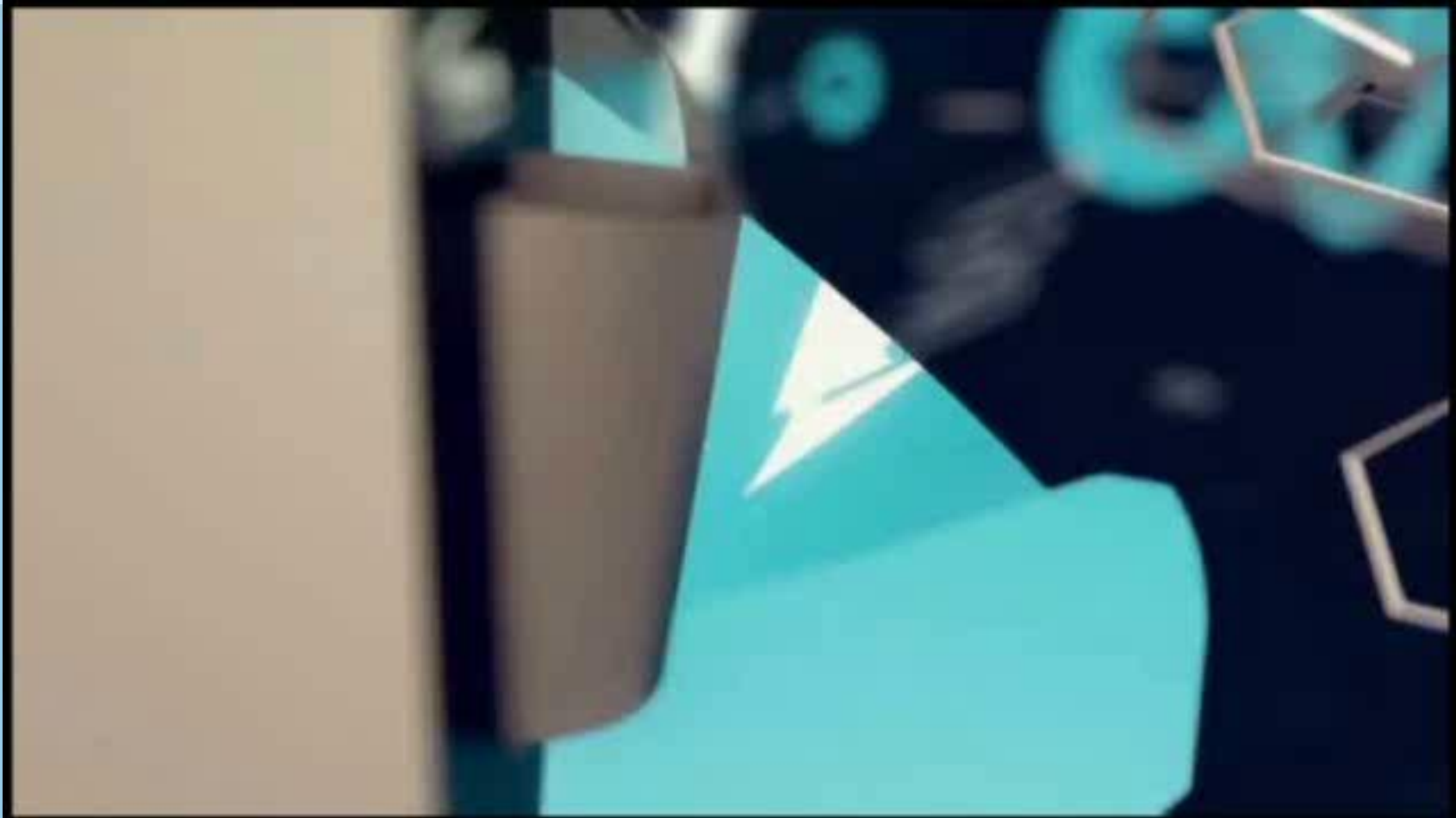
Other Types of Money

- **In our society we use various other types of money**
- **Checks have all the characteristics of currency.
They are accepted in exchange**
- **By writing a specific amount on a check, a person states exactly how much money is to be paid**

Other Types of Money

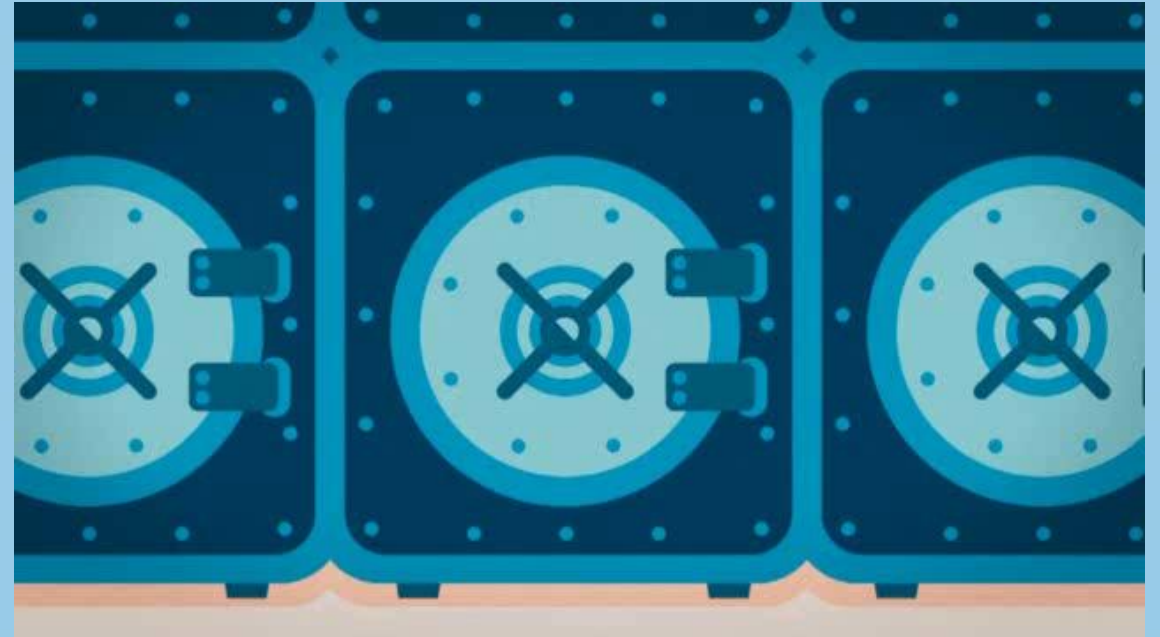
- **Although checks are not as durable as currency, the records banks keep for each check are durable**
- **Checks can only exist in an economy if there are banks**
- **Traveler's checks are another type of money used. Printed on the check is the exact amount of money which it can be cashed**

Bitcoin



Banks

- **Banks are not non-profit organizations. Banks used the interest of loans and other services to make money**
- **The larger the loan, the larger the interest**
- **Interest rates are based on a variety of variables, the economy, special offers, and a person's credit score**



Bank Services

- **Checking accounts: can draw money on demand**
- **Savings accounts: can't withdraw money on demand, the bank reserves the right advance notice**
- **Loans: an amount of money borrowed for a certain time period. The borrower agrees to pay back the amount of money borrowed plus a certain amount of interest**

Banks

- **There are other types of financial institutions**
- **Savings and Loan Associations: Originally meant to accept saving deposits and make loans for buying houses**
- **Mutual Savings Banks: Owned by depositors and any profits are made to them**
- **Credit Unions: non-profit banking institution which only serves its members**




Your Role in Government and the Economy

Managing Your Money

- **There are many forms of income. You can earn income directly by working**
- **If you own stock, or have money in a savings account, you can earn income from various sources**
- **People can earn money through renting or selling property**

Types of Income

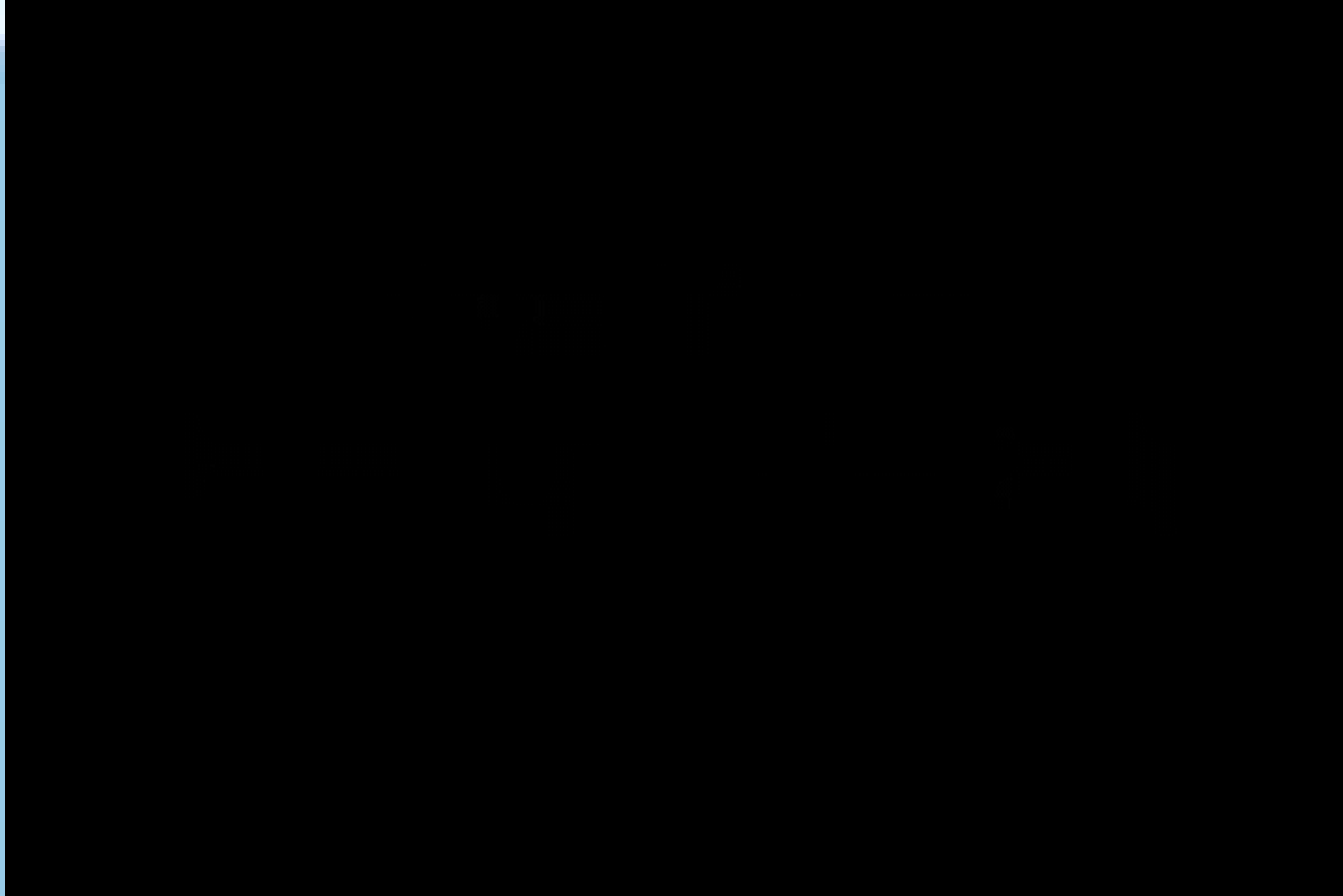
Type	Description	Advantages	Disadvantages
Salary	Employee receives a fixed payment	Guaranteed regardless of business	No extra pay
Wage	Employee paid by the hour	Paid for all time worked	May face loss of income if business is slow
Commission	Employee receives a percentage	Hard work rewarded with increased pay	Income not guaranteed
Bonus	Given work for excellent performance	Good work rewarded with additional income	None
Piecework	Paid by unit made	Faster workers can make more money	Income can vary widely

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- **Besides income, a person must look at other factors when choosing a job**
 - **Fringe Benefits: indirect payments for their work. Medical and dental care, sick leave, vacation with pay**

Other Income

- **People can make money through investment. The stock market provides a person the opportunity to make money while investing in a company to help them make money**

How the Stock Market Works



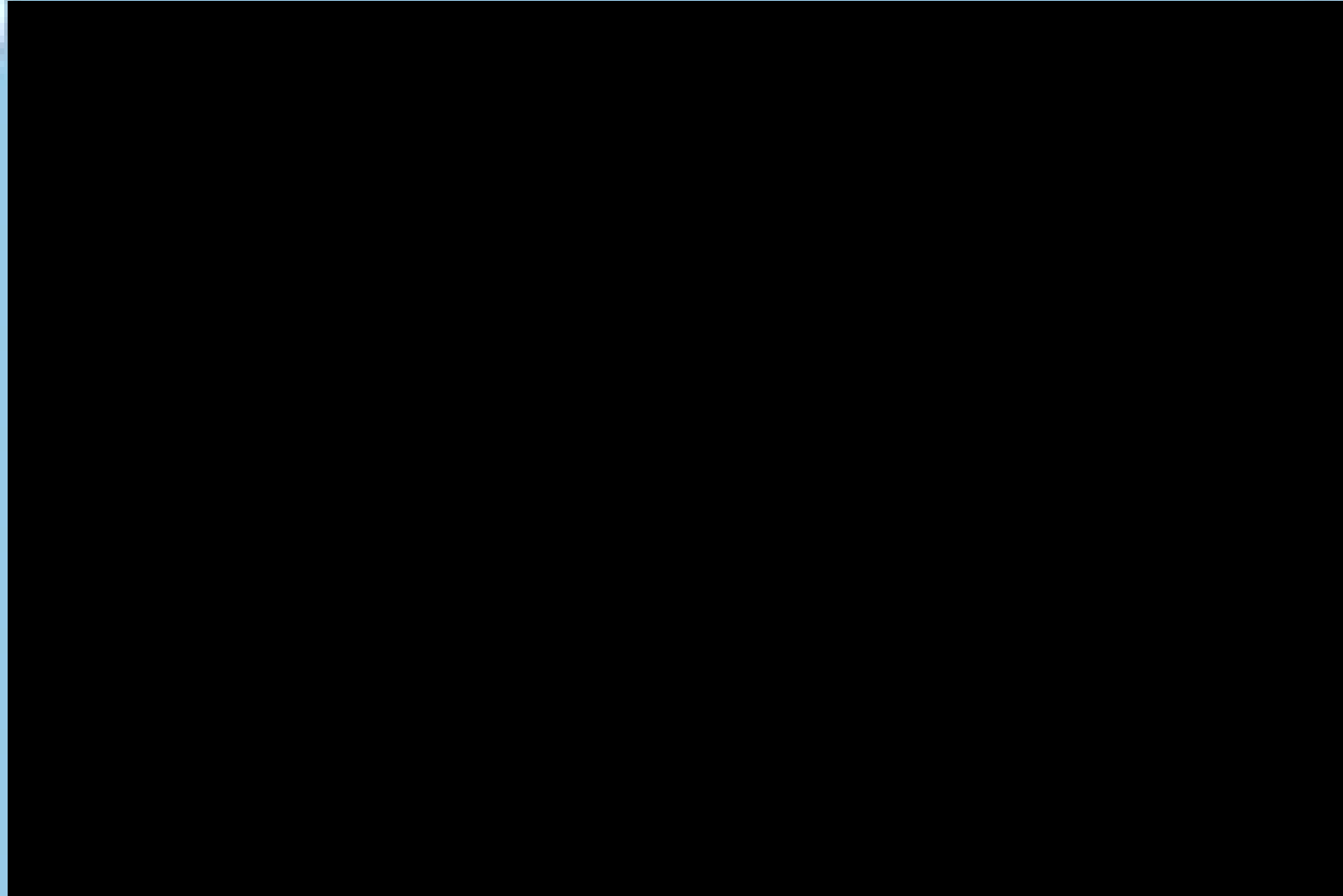
Spending

- **Everyone knows how to spend money, at this time in your life very few times do you have to really research or weigh options when purchasing**
- **There are a variety of factors when choosing to purchase large items**

Spending Factors

- **Price: Can you afford this product?**
- **Quality: Will the product last?**
- **Features: Does the product have the features you need?**
- **Warranty and service: Does the product have a promise to fix? Will the store replace or provide money back?**
- **Sales/Discount: Can you buy the same product at a lower price somewhere else?**

Credit Card



How a Credit Card Works

HOW CREDIT CARD
PAYMENTS WORK



Credit Card Debt

How Minimum Payments Won't
Get You Out of Credit Card Debt

