**Target #2 – I can define the functions of financial institutions and services they offer**

**FORMATIVE ASSESSMENT**

Do this on the board with students as a follow up to the lecture on Savings Choices and Characteristics

Ask students to first list the 6 Savings Choices and different types of loans to get from a bank (car, mortgage, small business loan).

Have listed on the board the following word for word: (also list the number of how many answers there are for each Situation or Characteristic as a guide)

Which Savings Choices Would You Choose in Each Situation?

**Situation #1** – Long-Term Savings Goal

**Situation #2** – You Don’t Have Much Extra Money

**Situation #3** – Want to Earn Highest Interest Rate

**Situation #4** – Want the Most Freedom and Access to Your Savings

**Characteristic #1** – Most Liquid (Highest Liquidity)

**Characteristic #2** – Least Liquid (Lowest Liquidity)

**Characteristic #3** – Federal Tax-Free Interest

Which Borrowing Choices Would Your Choose in Each Situation?

**Borrowing #1** – To afford a car

**Borrowing #2** – To buy a home

**Borrowing #3** – To go to college

**ANSWERS**

**Savings Answers**

1. All three bonds and CD
2. Savings/Checking Account
3. Money Market and CD
4. Savings/Checking Account
5. Savings/Checking Account
6. CD
7. All 3 bonds

Also note that the CD Early Withdrawal Penalty You Lose 10% of Your Principal

**Borrowing Answers**

1. A car loan typically 3-5 years
2. A mortgage typically 15-30 years
3. A school loan typically don’t pay back until 6 months after you graduate college

**Formative for Banking Target** (see examples at: <http://www.graphic.org/concept> )

Students create a concept map that shows the following relationships / concepts in Banking

1. Depositors, earn interest, enjoy FDIC protection
2. Bank makes loans, earns interest, stimulates the economy
3. Borrowers borrow money, pay interest but use the money to get something they want

**Summative Assessment Style Question**

**Situation**: Your goal is to have a $2,000 down payment for a car saved up in your bank account by the end of 3-years. Demonstrate your knowledge of the various functions and services that banks offer to explain the following:

1. How would you go about saving up for your down payment?
2. How much would you have to save each month to reach your savings goal?
3. How would you go about getting the rest of the money needed to pay for the car?
4. During the 3-year time period describe various ways that you will get your money in and out of the bank. Name at least two different ways.

**Answers**: The student’s answer should address the following concepts and use this terminology:

1. Set up a saving or checking account (avoid fees, look for interest earning).
2. $55 per month (although if you earn interest you can meet your goal with less)
3. Take a loan from the bank which you will have to pay back plus interest.
4. One – make deposits at the bank filling out a deposit form Two – make deposits via an ATM Three – make withdrawals at the bank using a withdrawal form or ATM withdrawals etc….