



Program Savings Option & Checking Accounts

PAY YOURSELF FIRST



Spend It or Bank It?

HOW MONEY GROWS

Interest: the amount of money banks or other financial institutions pay you for keeping your money on deposit with them

Interest is expressed as a percentage and is calculated based on time and the amount of money in your account

Compounding: how your money can grow when you keep it in a financial institution that pays interest

APY: Annual Percentage Yield reflects the interest you earn on a yearly basis

COMPOUNDING INTEREST OVER TIME

Compounding means calculating interest on both principal and previously earned interest.

	5 years	10 years
Mattress compounding— NO interest!	\$1,000.00 (unless stolen or lost)	\$1,000.00 (unless stolen or lost)
Annual compounding at 1%	\$1,051.01	\$1,104.62
Monthly compounding at 1%	\$1,051.25	\$1,105.12
Daily compounding at 1%	\$1,051.27	\$1,105.17

SAVINGS OPTIONS

Certificate of Deposit (CD): typically offers a higher rate of interest than a regular savings account in exchange for you keeping the money on deposit for a set term (for example, 6 months or more)

Money Market Account: higher rate of interest, usually requires a higher minimum balance (for example, \$1,000), can make deposits and withdrawals

Statement Savings Account: an account that typically allows unlimited deposits, but limits the number of fee-free withdrawals you can make during a month. You typically earn interest on the money you have on deposit and will receive a statement at least quarterly listing all transactions in the account

Protection: the Federal Deposit Insurance Corporation and National Credit Union Administration (NCUA) protect money saved in member financial institutions

BANKING INSTITUTIONS

Banks and Thrifts

- Financial institutions that operate under federal and state laws and regulations
- They make loans, pay checks, accept deposits, and provide other financial services

Credit Unions

- Not-for-profit financial institutions owned by people who have something in common
- Credit unions offer many of the same services as banks and thrifts, and operate under state and federal laws and regulations
- You have to become a member of the credit union to keep your money there

CHECKING AND SAVINGS ACCOUNTS

Checking Accounts allow you to pay bills, and buy goods and services with the money you have deposited.

A **Savings Account** is a safe place for you to save money and earn interest over time.