

## Grade 6 Personal Financial Literacy

**Account:** Money deposited with a financial institution for investment and/or safekeeping purposes.

**ATM:** Acronym for automated teller machine.

**Balance:** An outstanding amount of money. In banking, balance refers to the amount of money in a particular account. In credit, balance refers to amount owed.

**Bank:** An establishment for lending, issuing, borrowing, exchanging, and safeguarding money

**Check:** Any written document instructing a bank to pay money from the writer's account.

**Checking Account:** An account for which the holder can write checks. Checking accounts pay less interest than savings accounts, or none at all.

**Credit:** In business, buying or borrowing on the promise to repay at a later date. In any credit arrangement there is a creditor (a person, bank, store, or company to whom money is owed) and a debtor (the person who owes money). In bookkeeping, a sum of money due to an individual or institution.

**Credit Bureau:** An agency that checks credit information and keeps a complete file on people who apply for and use credit.

**Credit Card:** A plastic card that gives access to a line of credit. Users are limited in how much they can charge, but they are not required to repay the full amount each month. Instead the balance (or "revolve") accrues interest like a loan. No interest is owed if the balance is paid in full each month.

**Credit Score:** A credit score is a rating of your use of credit based on: your payment history; amount owed; the length of your credit history; new credit; and the types of credit you use. Scores can range from 300 to 850, and the higher the score, the better your rating. Scores affect the terms and interest rates on the loans you receive.

**Debit:** A bookkeeping term for a sum of money owed by an individual or institution; a charge deducted from an account.

**Debit Card:** A banking card enhanced with ATM (automated teller machine) and point-of-sale (POS) features that can be used to purchase goods and services electronically. Transactions are deducted from the cardholder's checking account either immediately or within one to three days. Depending upon the type of card, a debit card may require a signature or entering a PIN.

**Interest:** The fee paid for the use of money. Interest may be paid, for example, by an individual to a bank for a credit card loan, or by a bank to an individual for holding a savings account; interest is expressed in terms of annual percentage rate (APR).

**Line of Credit:** An authorized amount of credit given to an individual, business, or institution.

**Savings Account:** A bank account that accrues interest in exchange for use of the money on deposit.

**Withdrawal:** An amount of money taken out of an account.

## **Grade 6 Personal Financial Literacy**

The following information has been gathered in order to assist you as you introduce your students to the usage and features of debit cards.

### **What is a debit card?**

A debit card is a service provided by a bank. It is a banking card enhanced with automated teller machine (ATM) and point-of-sale features to become a debit card. It can be used for purchases at merchants. Debit cards are linked to an individual's checking account, allowing funds to be withdrawn at the ATM and point-of-sale without writing a check.

### **What is an example of a debit card?**

A debit card is a financial institution's ATM card with point-of-sale features that incorporates a specific acceptance mark (like Visa). Payment is completed by signing a sales draft or by entering a PIN, and then the amount of the sale is deducted from the cardholder's checking account within one to three days.

### **What does it do?**

A debit card enables the cardholder to pay for purchases via a bank card linked to their checking account.

### **How is a debit card used?**

When using a debit card to pay for goods and services, the purchase amount is deducted from the cardholder's checking account. Depending on the type of card, processing a debit card transaction requires the cardholder either to sign a sales draft, or to enter a PIN into special terminal, just like at an ATM.

### **Benefits of using a debit card:**

- Convenience. The payment process at the checkout counter is made quicker and more convenient. No need to fill out a check or to present identification and wait while the identification is written down or verified.
- Eliminates the need to carry a checkbook and a lot of cash.
- Useful budgeting tool to track purchases.
- Doesn't deplete the available cash in your wallet.
- Can be used out of town or at locations where personal checks are not accepted.
- Reduces the possibility of loss or theft of cash.
- Is not a loan, no interest accrues on purchases.

### **Disadvantages of using debit cards:**

- The cardholder must be certain of his or her checking account balance as it might be possible to make purchases beyond the funds available, resulting in fees.
- Can encourage impulse spending.