

Banking Basics Assignment

Complete the tasks below. Try to answer in complete sentences and give examples where possible. Think about how banking affects your everyday life and your financial decisions.

1. Comparing Banks

- a) List the three main types of banks mentioned in the lesson.
- b) Pick **one type of bank** and explain why someone might choose it over the others. Include at least **two reasons**

2. Debit vs. Credit Cards

- a) Explain the main difference between a debit card and a credit card.
- b) Imagine you're buying a new video game that costs \$80. Your checking account has \$50, and your credit card limit is \$100. Which method would you use to buy it? Explain your choice and what could happen if you don't pay back a credit card on time.

3. Banking Accounts & Interest

- a) Name two types of accounts you can use to save or spend money. Explain one **advantage** of each.
- b) Banks pay interest on savings accounts but charge interest on loans. Explain **how this helps banks make money**.

4. Smart Banking Reflection

Write a short paragraph (3–5 sentences) answering the following:

If you were starting your first bank account, which type of account would you open first and why?

List **two smart banking habits** you would follow to manage your money effectively.

Answer Key

1.

a) **List the three main types of banks:**

- Commercial banks (e.g., TD, RBC, CIBC)
- Credit unions (member-owned, community focus)
- Central bank (Bank of Canada – controls money supply)

All three types play different roles. Commercial banks are for everyday banking, credit unions focus on members and local community, and the central bank handles national money supply.

b) **Pick one type and explain why someone might choose it:**

Explanation: There's no single "right" answer here. Students should explain their choice with at least two reasons. For example, someone might pick a credit union for better interest rates and community support, or a commercial bank for convenience and lots of branches.

2.

a) **Explain the main difference:**

- Debit cards spend money you already have.
- Credit cards borrow money you pay back later.

This is the key difference. Debit = your money, Credit = borrowed money.

b) **Scenario – Buying a \$80 video game:**

Answer: Depends on choice, both can be correct if explained!

- If they use debit and have only \$50 → can't afford it, explain that.
- If they use credit → can buy it but must pay back on time to avoid interest/fees.

Students should justify their choice and explain consequences. There's no single correct answer here, as long as reasoning makes sense.

3.

a) **Name two types of accounts and give one advantage each:**

- Chequing account → convenient for paying bills, everyday spending

- Savings account → earn interest, store money safely

Answers may vary; students could mention CDs or money market accounts if desired.

b) Explain how banks make money:

Answer: Banks earn from charging interest on loans (they earn more from loans than they pay to people who keep money in the bank) and account fees.

4.

Answer: No single answer. Students might choose a chequing or savings account first.

Two smart banking habits: Answers vary - could include checking balance often, saving weekly, paying credit cards on time, or avoiding overspending.