

TRUE-FALSE

- A pre-arranged personal line of credit is the most efficient source of quick cash.
- Term deposits cannot be redeemed before maturity.
- A credit union usually offers a wider range of financial services than a chartered bank.
- A savings account with daily compounding will have lower earnings than an account with quarterly compounding.
- A GIC is a chequing account that earns interest.
- Your selection of a savings plan is not influenced by the rate or return on the plan.
- Interest-earning chequing accounts usually require a minimum balance
- Like most investments, CSBs are sold throughout the year.

MULTIPLE CHOICE

- _____ 9. The fewest financial services would probably be offered by a(n)
- credit union.
 - trust company.
 - chartered bank.
 - investment company.
- _____ 10. The rate of return on a savings account may also be referred to as
- yield.
 - compounding.
 - liquidity.
 - equity.
- _____ 11. The savings plan that is likely to have a set rate of return is a
- money market account.
 - guaranteed investment certificate.
 - debit card account.
 - money market fund.
- _____ 12. A personal cheque with guaranteed payment is a
- certified cheque.
 - bank draft.
 - cashier's cheque.
 - money order.
- _____ 13. The effective annual rate (EAR) formula is used to
- take inflation into account
 - calculate the nominal rate of return
 - incorporate compounding
 - determine your real rate of return
- _____ 14. Which of the following is a drawback of a money market fund?
- Low rate of return
 - Penalty for early withdrawals
 - Not insured

- d. High minimum balance
- _____ 15. A(n) _____ is a computer terminal where you can withdraw cash, make deposits, check your balance and conduct other financial services.
- a. Direct Deposit
- b. Automatic Payments
- c. Automated Teller Machines
- d. Smart Card
- _____ 16. A _____ endorsement is most useful when depositing checks by mail.
- a. special
- b. blank
- c. restrictive
- d. multiple

Are You an Informed User of Financial Services?

For each of the following statements indicate a “Yes” or “No” answer.

- | Yes | No | |
|-------|-------|--|
| _____ | _____ | 1. Do you know a financial institution in your community that has safety deposit boxes? |
| _____ | _____ | 2. Do you know the current rate of return on your savings account? |
| _____ | _____ | 3. Do you know the frequency of compounding for your savings account? |
| _____ | _____ | 4. Do you know where you can buy Canada Savings Bonds in your community? |
| _____ | _____ | 5. Do you know if there is a credit union/caisse populaire in your community? |
| _____ | _____ | 6. Do you know the location of your financial institution’s 24-hour automatic teller machines? |
| _____ | _____ | 7. Do you know the monthly service charge on your chequing account and the fees on your ATM withdrawals? |
| _____ | _____ | 8. Do you know the minimum balance on your chequing account to avoid a service charge? |
| _____ | _____ | 9. Do you know the charge for an overdraft on your chequing account? |
| _____ | _____ | 10. Do you know the annual percentage rate charged on your credit cards and charge accounts? |
| _____ | _____ | 11. Do you know the annual fee for your bank credit card? |
| _____ | _____ | 12. Do you know what the interest rate is for automobile loans at your financial institution? |

CONCEPT QUESTIONS

Concept Check 4-1

1. What is the relationship between financial services and overall financial planning?
2. What are the major categories of financial services?
3. What financial services are available through electronic banking systems?
4. Why shouldn't you select financial services on the basis of only monetary factors?

Concept Check 4-2

1. What are the examples of deposit-type financial institutions?
2. What factors do consumers usually consider when selecting a financial institution to meet their saving and chequing needs?

Concept Check 4-3

1. What are the main types of savings plans offered by financial institutions?
2. What are the benefits of Canada Savings Bonds?

Concept Check 4-4

1. When would prefer a savings plan with high liquidity over one with a high rate of return?
2. What is the relationship between compounding and calculating the future value of an amount?

3. How do inflation and taxes affect earnings on savings?

Concept Check 4-5

1. What factors are commonly considered when selecting a chequing account?

2. Are chequing accounts that earn interest preferable to regular chequing accounts? Why or why not?

CASE QUESTIONS

1. What benefits and costs are associated with automatic teller machines?

2. How does the use of financial services like ATMs affect a person's overall financial plan?

3. What could Johan do to reduce his banking fees and manage his money more wisely?