

Financial Literacy with Mr. 401(k)
[‘FinLit with Mr. 401(k)’]
Winter Term 2023-2024
January 18, 2024

Owning and Owing Stuff

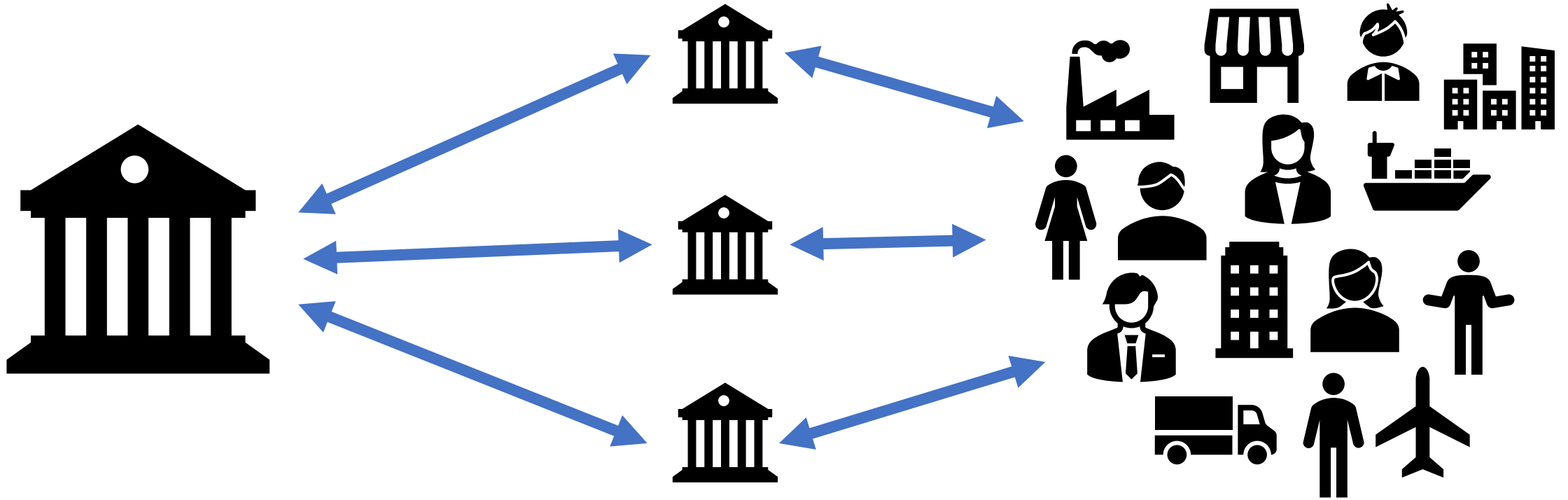
Class 16: Banks and Business Plan Project



**A regulated financial
institution that accepts
deposits and makes loans**

Bank

U.S. Banking System Simplified

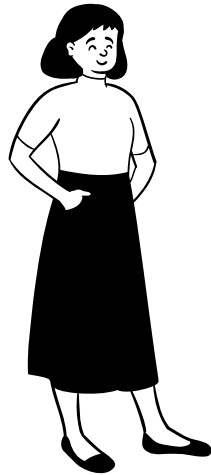


U.S. Federal Reserve
Monetary policy & banking system regulator. The “Banker’s” Bank.

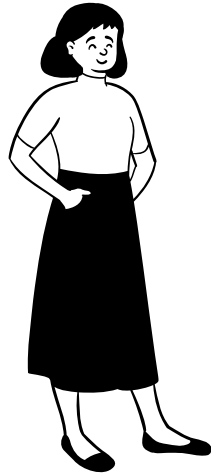
Commercial Banks
Offer financial products & services to customers & work with the U.S. Federal Reserve

Bank Customers
People, Businesses, & Governments work with commercial banks

A Customer Deposits Money at a Bank

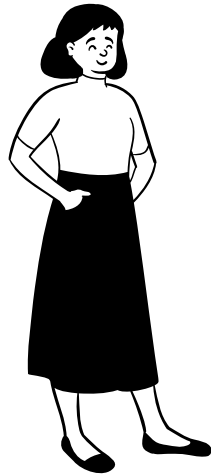


A Customer Deposits Money at a Bank



Assets	Liabilities
Cash -\$500	
Bank Account +\$500	

A Customer Deposits Money at a Bank



Assets	Liabilities
Cash -\$500	
Bank Account +\$500	

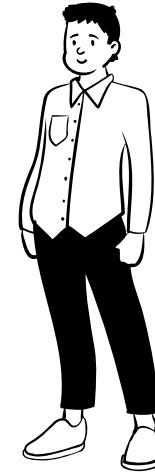
Assets	Liabilities
Cash +\$500	Customer Deposits +500



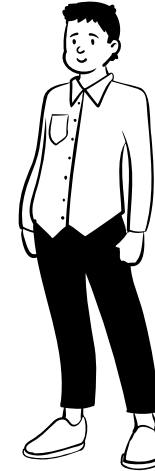
Class Discussion

*Why might
people deposit
money in a
bank?*

A Bank Lends Money to a Borrower

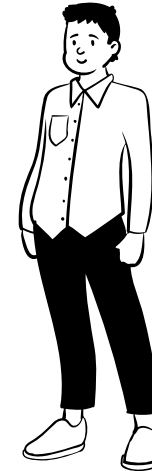


A Bank Lends Money to a Borrower



Assets	Liabilities
Cash -\$10,000	
Loans +\$10,000	

A Bank Lends Money to a Borrower



Assets	Liabilities
Cash -\$10,000	
Loans +\$10,000	

Assets	Liabilities
Cash +\$10,000	Loan to Bank
	+10,000



Class Discussion

*Why might
people borrow
money from a
bank?*

Common Bank Products



Auto Loan

Borrow money to finance a vehicle purchase



Checking Account

Demand deposit account that typically **does not** earn interest



Credit Cards

Finance purchases where credit card is accepted



ATM / Debit Cards

Spend from checking account & make ATM cash withdrawals



Home Mortgage

Borrow money to finance a home purchase



Savings Account

Time deposits account that typically earns interest

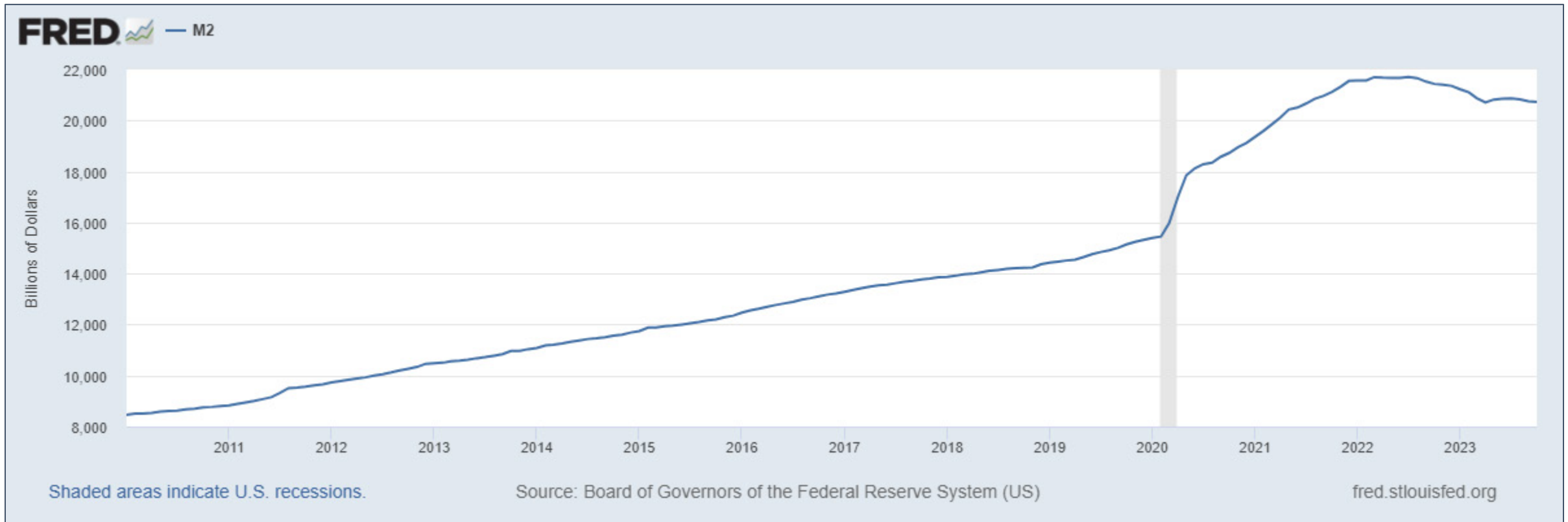
HOW BANKS WORK



[Launch Video](#)

The U.S. Money Supply

Since 2010, the U.S. Money Supply has increased by 250%



M2 is a measure of how much **“ready-to-use” money is available in the economy**. M2 is a category of money that includes all the cash people have on hand, the money in their checking and savings accounts, and other types of accounts that are easy to turn into cash.

Factors Influencing Bank Lending



A Willing Borrower

Banks need borrowers to request credit. No credit requests = No new loans.



Credit Worthiness

How likely is the borrower to repay the loan? Does the borrower have sufficient income?



Interest Rates & Loan Yields

How much money can the bank make on the loan? Are there better alternatives for the bank to make money elsewhere?



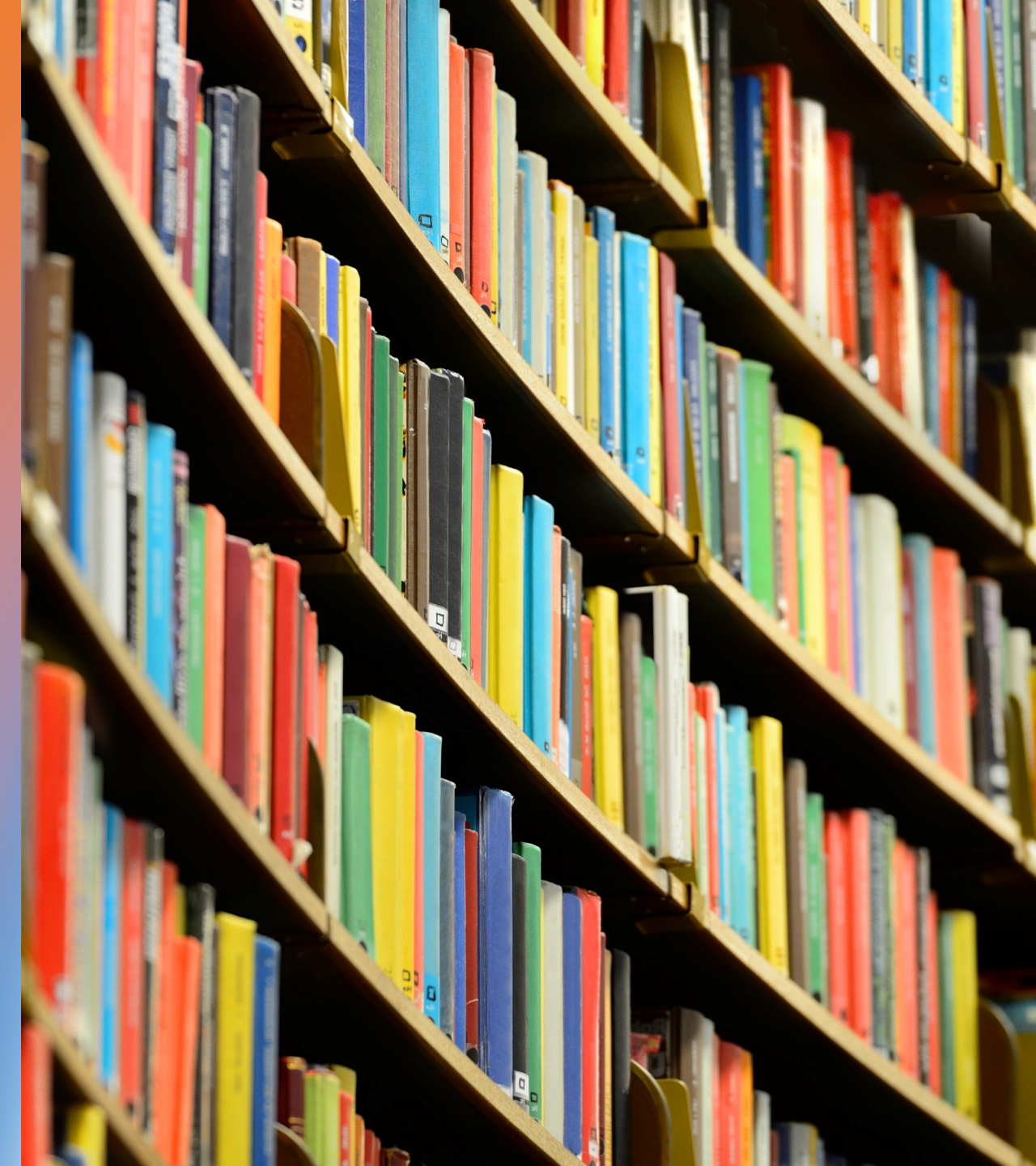
Capital Requirements

Can the loan be made subject to capital requirements and regulatory constraints?



Three Key Takeaways

1. Functions of Banks: Banks are institutions that hold customer money and make loans.
2. Bank Lending: Fractional reserve banking enables banks to lend out most customer funds to credit worthy borrowers.
3. Money Supply: Bank loans influence the supply of money in an economy.



Where to Learn More

- [How Bank Accounts Work for Kids](#) by Lucia Caldera via Kids' Money
- [Banking 101: Understanding How Banks Work](#) by Kate Rockwood
- Video: [In Plain English, Making Sense of the Federal Reserve Video](#) from the Federal Reserve Bank of St. Louis



Business Plan Project

Business Idea & Business Plan Project within Money Mavericks Groups



Develop Business Idea

What problem does your business solve? Who are the business's target customers? **[Completed]**



Write Business Plans

How does the business earn money? What are the ongoing costs? How will it differentiate?



Present Your Business Plans

Each Money Mavericks Group gives a 10-minute presentation of their business plan to class

Business Ideas by Money Mavericks Workgroup



Alpha

Babysitting /
Childcare
Services



Beta

App that
Recommends and
Markets Books to
Users



Gamma

Online Sales of
Sporting Apparel
& Goods,
Focusing on
Footwear



Delta

Digital Content
Creator AI
Support

Money Mavericks

Objective: Start writing your business plans within your Money Mavericks Workgroups. As a guide to help write your business plans, focus on answering the questions on the following practical applications slide...



Practical Application



- What is your business name? Feel free to design a logo for your business.
- Who are your business's target customers?
- How does your business earn money?
- What are your business's products and/or services?
- What are the costs to start your business?
- Where will your business's startup costs come from?
- What are your business's ongoing expenses?
- What are the prices for your business's products and/or services? How did you determine those prices?
- How will your business promote its products and/or services?
- Write a "pitch" that describes your business to a target customer.
- Who else competes with your business?
- How will your business differentiate itself from competitors?