Chapter 30: Savings Accounts

I-Summary: This chapter discusses savings and savings account. Savings is money people put aside for future use. Most people save money to make major purchases, to have enough income in case of emergencies, and to be able to retire with enough income to live comfortably. People usually deposit their savings in a financial institution such as a bank. In return, the institution pays interest on the amount in the account. There are several types of savings accounts these institutions offer including regular savings accounts, certificates of deposits, and money market funds. These savings accounts earn interest and are usually secure. It is generally easy and quick to withdrawal money from savings accounts. However some savings accounts have restrictions and fees on withdrawals and may require a large balance to open the account.

I-Quiz

Quiz yourself to check your understanding. For each question, you will hear four answer choices. After you hear all four answer choices, choose your answer during the pause. Then you will hear the correct answer. Let’s begin.

Question 1

When do experts recommend a person take from income money that is earmarked for savings?

a. once a week

b. once a month

c. once a year

d. as soon as the income is received

Question 2

What do most workers receive when they retire?

a. certificates of deposit

b. social security

c. a regular savings account

d. a money market fund

Question 3

Which is an example of a savings account that does not earn income?

a. certificate of deposit

b. regular savings account

c. piggy bank

d. money market fund

Question 4

Which term refers to the percentage of increase in the value of your savings from earning interest?

a. rate of return

b. simple interest

c. compound interest

d. accumulated interest

Question 5

Which type of savings account usually requires a high balance?

a. regular savings account

b. money market fund

c. piggy bank

d. certificate of deposit

Answer Key

1. The correct answer is D, as soon as the income is received. If you set aside the amount to be saved as soon as income is received, you will be less tempted to spend it.

2. The correct answer is B, social security. Most workers receive social security when they retire, but the amount received is often not enough to retire comfortably.

3. The correct answer is C, piggy bank. No income is earned if you do not store it in a place that provides you with interest.

4. The correct answer is A, rate of return. Earnings on savings can be measured by the rate of return, also called the yield.

5. The correct answer is B, a money market fund. The high balance required in most money market funds is one disadvantage to this type of savings account.