Financial literacy – Banking

Levels 9 and 10,
Economics and Business,
resources

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**Note:** Please see the accompanying Financial Literacy – Banking activities document for a full description of the sample activities.

Worksheet A: Introduction to banking

Banks are important institutions/businesses that we all rely on to assist us with managing finances.

One of the first steps to taking control and learning to manage your finances is opening a bank account. You need to develop the skills required to successfully manage your bank account as well as other interactions you will have with your bank.

1. Match the sentence beginnings and sentence endings to form correct statements related to banks.

|  |  |
| --- | --- |
| Sentence beginning | Sentence ending  |
| Establishing and maintaining a bank account is ... | and borrowers (who the bank then lends money to). |
| Using a bank account, you can choose to ... | bank account holders. |
| An investor hopes that ... | store this money and lend it to those who need funds. |
| Income/earnings can be paid ... | the amount owed, until it is paid back in full. |
| The primary role of a bank is to take deposits of money from customers, ... | rent paid for the use of someone else’s money. |
| A bank acts as an intermediary between its depositors (who lend their money to the bank) ... | a practical way to keep your money in one place safely. |
| Interest is paid by a bank to the people who deposit their money. The bank then ... | the money they invest will grow. |
| Interest is like ... | directly into your bank account. |
| A borrower pays interest as a percentage of ... | spend, save or invest your money. |
| Depositors are ... | charges interest to people who borrow money from the bank. |

How do banks make profit?

A bank makes profits by:

* charging interest to borrowers
* charging interest on the amounts people owe on credit cards
* charging product fees on credit cards and transaction account fees
* selling other products, such as insurance and financial planning advice.

2. Describe in your own words how a bank makes profit.

3. Research task: Investigate and identify the profit figures for the most recent financial year for each of the following Australian banks.

Complete the table, selecting two banks of your choice for the final two rows.

(See [‘List of banks in Australia’, Finder](https://www.finder.com.au/list-of-banks-in-australia), for a list of Australian-owned banks.)

|  |  |  |  |
| --- | --- | --- | --- |
| Bank  | Profit ($A) | Percentage increase or decrease from previous year | Ranking (1–9, from highest to lowest $A profit) |
| ANZ |  |  |  |
| NAB |  |  |  |
| CBA |  |  |  |
| Westpac |  |  |  |
| Bank Australia |  |  |  |
| Bendigo Bank |  |  |  |
| Bankwest |  |  |  |
|  |  |  |  |
|  |  |  |  |

Worksheet B: Types of bank accounts

Read the information below and complete the questions on the following page.

* If you are 14 years old or younger you need the permission of a parent or guardian to open a bank account.
* Australian banks offer both savings and transaction accounts with special features such as lower account fees for teenagers. You can deposit money into these accounts and access it through withdrawals, transfer it to other accounts online and/or spend it using a linked debit card.
* **Transaction (deposit) account**: This type of bank account can be set up so you can access your money day to day. This means you can pay bills and make daily purchases. Your income can be paid into a transaction account, and your expenses (for example, bills, rent, mobile data, movie tickets, clothing, food) can be paid from the transaction account. Most transaction accounts do not pay interest to the account holder but charge only minimal fees.
* **Savings account**: A savings account will help your money grow faster, offering a higher interest rate than everyday transaction accounts. Often a savings account is linked to your transaction account. You deposit money into a savings account and keep it there to use at a later date. A savings account earns you interest. Interest is paid as a percentage of the amount held in deposits in the account. For example, if you have $1000 in a savings account with a 1.5% interest rate, you will earn $15 interest in a year if the amount does not change. Savings accounts usually earn more interest than other accounts. Most are online and do not have a linked debit card so that it’s not too easy to dip into the money held in the account.
* A transaction account is generally used for everyday transactions while a savings account is usually set up to store funds and accumulate interest. It is a good idea to keep a separate savings account because your savings will earn higher interest.
* Most people have both a transaction and savings account. This means they can keep spending money in the everyday transaction account but also earn a higher interest on funds in their savings account.
* You can also set up a direct debit from your transaction account to your savings account, where a certain amount of money is regularly transferred automatically.
* Transaction accounts usually pay a lower interest rate but are more flexible in terms of being able to withdraw funds and transfer money between your own accounts or to other people.
* It is best to save a set amount into your savings account regularly and only use your transaction account to make purchases and pay bills. That way your savings will add up or ‘accrue’.

**1. Consider the information on the previous page and then complete the following table.**

Savings versus transaction bank accounts

|  |  |  |
| --- | --- | --- |
|  | **Savings account** | **Transaction account** |
| **Key features**  |  |  |
| **Used mainly for**  |  |  |
| **Earns**  | Higher interest |  |
| **Advantages** |  |  |
| **Disadvantages**  |  |  |
| **Differences** |  |  |
| **Similarities** | Can deposit money and access it through withdrawals, transfer it to other accounts online and spend it using a linked debit card (if the account has a debit card). | Can deposit money and access it through withdrawals, transfer it to other accounts online and spend it using a linked debit card  |

2. Describe how having both a savings account and a transaction account can be useful.

**3. You can compare bank account deals offered by different Australian banks on the** [**Canstar ‘Youth banking’ webpage**](https://www.canstar.com.au/youth-banking/)**.**

**Using this resource, locate and identify four accounts you would recommend for other teenagers (two transaction accounts and two savings accounts).**

Worksheet C: Opening a bank account

Read the information below and complete the task.

Steps to getting a bank account

1. Research online and find the bank account(s) and bank that best meet your needs. You can use resources such as the [‘Compare bank accounts’ page on Finder.com.au](https://www.finder.com.au/bank-accounts) or [the compare accounts features on Canstar](https://www.finder.com.au/bank-accounts).

2. Once you’ve done the research and found the bank account(s) and bank that suit you best, you need to check that you meet the eligibility criteria.

To be eligible to open an Australian bank account you must:

* be an Australian citizen/resident or be in Australia or arriving in Australia within three months
* open the account in your own name and make a deposit into the account within six months
* provide identification (see points 3 and 4)

If you are 14 years old or younger a parent or guardian must be present to co-sign your application.

3. For a secure online identification check you will need at least one of the following identity documents: passport, Australian birth certificate, drivers licence, Medicare card.

4. Next, you’ll need to bring documents to your local bank branch to identify yourself. Each document is worth points. You need to show as many documents as you need to reach 100 points.

* birth certificate, passport or citizenship certificate – 70 points
* drivers licence, shooters licence, public service employee ID card or a Commonwealth or State Government financial entitlement card – 40 points
* land rates (home owners) – 35 points
* a card with your name on it, such as a credit card, store account card or library card – 25 points
* a document with your name and address on it, such as a utility bill or bank statement – 25 points

5. Fill out any required forms, either online or in person. You will need to provide contact details and other personal details.

6. Once you have done this, your bank account should become active. You can deposit funds into the account immediately.

7. After a few days your debit card will arrive in the mail.

**Task: Construct a flow chart illustrating the steps that must be taken to open an Australian bank account.**

Worksheet D: Types of loans

|  |  |  |  |
| --- | --- | --- | --- |
| Type of bank loan | Description  | Things to note about this type of credit | Two examples (including interest rate and terms available) |
| Personal loan | * Allows you to borrow money to pay for a specific purchase, such as a holiday, car or home renovations.
* Repaid with interest over a set term, usually between one and seven years.
 | * Unsecured loans cost more, with a higher interest rate.
* The higher the risk of you not paying, the higher the interest rate charged.
* Different lenders will offer different interest rates and different terms.
 |  |
| Line of credit |  |  |  |
| Overdraft |  |  |  |
| Buy now pay later |  |  |  |
| Credit card |  |  |  |

Worksheet E: Debit cards versus credit cards

1. Use the following online resources to research debit cards and credit cards:

* [Debit cards vs credit cards (Mozo)](https://mozo.com.au/debit-cards/guides/debit-cards-vs-credit-cards)
* [Transaction accounts and debit cards (moneysmart.gov.au)](https://moneysmart.gov.au/banking/transaction-accounts-and-debit-cards)
* [Credit cards (moneysmart.gov.au)](https://moneysmart.gov.au/credit-cards)

2. Using the words and phrases in the word banks below, fill in the empty spaces to create correct statements about debit cards and credit cards.

|  |  |
| --- | --- |
| Debit cards | Credit cards |
| Purchases are made using \_\_\_\_\_\_\_\_\_\_\_\_\_money. | Purchases are made using \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ money. |
| Can be used at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ , at an \_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and online. | Can be used at retail outlets, at an ATM, contactless and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ . |
| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ secure than a credit card because it links directly to your bank account. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ secure than a debit card because of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that detects suspicious behaviour. |
| Banks do \_\_\_\_ make you pay \_\_\_\_\_\_\_\_\_\_\_\_\_ because you are spending your \_\_\_\_\_\_\_\_\_\_\_ money. | Creates a debt that will need to be paid back with \_\_\_\_\_\_\_\_\_\_\_ after a period of time. |
| Linked to a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ . | Not linked to a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ . |
| Will not affect your credit \_\_\_\_\_\_\_\_\_\_\_\_ . | Will affect your credit \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ . |
| Usually charges \_\_\_\_\_\_\_\_ fees. | Fees charged include \_\_\_\_\_\_\_\_\_\_\_\_\_\_ , \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_ . |
| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ rewards schemes. | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ rewards schemes. |
| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to obtain. | Involves an \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ process to obtain. |
| Available funds are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to what is in your bank account. | Can spend a \_\_\_\_\_\_\_\_\_\_\_\_ amount than what is in your bank account. |

|  |  |
| --- | --- |
| limited  your own  rating  easy  retail outlets  contactless  bank account  low, no or few  less  not  interest  ATM  own | annual fees  ATM fees  interest charges  application  better  greater  more  security systems  borrowed  bank account  online  rating  interest |

Worksheet F: Personal loans

Using the following information and online resources, complete the questions below.

Fixed versus variable interest rates

When you take out a personal loan with a fixed interest rate, your repayments will not change over the period of the loan. You will know that the repayment amount coming out of your bank account each time will remain the same for the entire loan.

When you take out a loan with a variable interest rate the repayment amount will change if interest rates change.

A loan with a variable interest rate usually has no early exit fee. This means that there will be no extra cost if you pay off the loan in full early.

The interest rate you will be charged for a personal loan will vary according to your credit rating, income, expenses and savings. The higher the risk that you will not meet repayments, the higher the interest rate you are likely to be charged.

A secured loan means that you provide an asset, such as your car, as security that you will make repayments.

An unsecured loan means that no asset is required for security. The disadvantage of taking out an unsecured loan is that a higher interest rate will be charged and you will need to pay more each month in repayments. You may also need to find a guarantor for the loan.

**Online resources:**

* [Personal loans (moneysmart.gov.au)](https://moneysmart.gov.au/loans/personal-loans)
* [What is a personal loan? (Canstar)](https://www.canstar.com.au/personal-loans/what-is-a-personal-loan/)
* [Guarantor personal loans: What are they? (Canstar)](https://www.canstar.com.au/personal-loans/guarantor-personal-loans/)

1. Explain what is likely to happen if you default (fail to meet repayments) on a secured loan.

2a. What is a loan guarantor?

2b. Explain the risks involved in acting as a guarantor for a loan.

3a. What is a low interest loan? What is the limit for this type of loan?

3b. Who is eligible to receive a low interest loan?

4. Select two personal loan options from the [‘Compare Australian personal loans’ webpage (Mozo)](https://mozo.com.au/personal-loans?mz_source=sem__Search&mz_cak=%2A%20Personal%20Loans%20%7C%20Broad%20%7C%20Desktop__7017431049__compare%20personal%20loan&gclid=Cj0KCQjwl4v4BRDaARIsAFjATPlPceCij0dUS00LgXRcldPkm9M8cFonH41Xgm8LuM979YNwH0Q_Cu8aAp2aEALw_wcB) and complete the table below.

**The following resource will assist in defining the terms within the table:** [**‘Personal loans’ webpage (moneysmart.gov.au**](https://moneysmart.gov.au/loans/personal-loans)**).**

|  |  |  |
| --- | --- | --- |
|  | Option A | Option B |
| Name (loan provider name and loan name) |  |  |
| Comparison rate |  |  |
| Interest rate |  |  |
| Application fee |  |  |
| Other fees |  |  |
| Extra repayments |  |  |
| Loan use |  |  |
| Loan term |  |  |
| Your recommended option and reasons |  |

Worksheet G: Buy now pay later

Use the following online resources to find out about ‘buy now pay later’ and then answer the questions below.

* [Buy now pay later in Australia: A guide to providers: Afterpay, Zip, Klarna and more (Ellie McLachlan, Canstar)](https://www.canstar.com.au/savings-accounts/buy-now-pay-later/#citem_bb3b-960d/)

* [Buy now pay later services (moneysmart.gov.au)](https://moneysmart.gov.au/other-ways-to-borrow/buy-now-pay-later-services)

1. Outline how buy now pay later works.

2. Describe how buy now pay later is different from traditional lay-by.

3. Describe how buy now pay later is different from using a credit card.

4. Describe three features of the demographic of people who have been found to use buy now pay later services most frequently. Is this a concern? Discuss.

5. Have you ever used buy now pay later? If so, describe your experience.

6. Can buy now pay later affect your credit score (credit rating)? Explain.

7. List the fees and charges that may result from using Buy Now pay Later services. (See the moneysmart.gov.au link above.)

8. Complete the table below, summarising the advantages and disadvantages of buy now pay later services. Use the following online resources in your research on advantages and disadvantages.

* [The pros and cons of Afterpay (Emma Duffy, Savings.com.au)](https://www.savings.com.au/buy-now-pay-later/afterpay-pros-and-cons-savings-com-au)
* [The pros and cons of 'buy now, pay later' (Louise Chan, nestegg)](https://www.nestegg.com.au/borrow-money/credit-card/the-pros-and-cons-of-buy-now-pay-later)
* [Buy now pay later pros and cons (Money & Life)](https://www.moneyandlife.com.au/managing-debt/buy-now-pay-later-pros-and-cons/)

|  |  |
| --- | --- |
| Advantages | Disadvantages |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |

9. Access the link below and complete the following questions.

* [Buy now pay later services (moneysmart.gov.au)](https://moneysmart.gov.au/other-ways-to-borrow/buy-now-pay-later-services)

a. Watch the video that presents tips for using buy now pay later. List these tips.

b. Read the case study about Georgia. Using the words and phrases in the word bank, fill in the empty spaces to summarise the case study.

Georgia purchased a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_and a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ using two different buy now pay later services.

Georgia made the mistake of not checking the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of her \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ . She did not have enough to meet both repayments. As a result Georgia was charged \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ , as well as an \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ fee by her bank.

**$150  $300  balance  bank account  hair straightener  overdrawn  pair of sneakers  late payment fees**

Worksheet H: Getting debt under control

It is important that you are aware of how much money you owe (debt) and that you are able to meet your financial obligations and pay off your debts.

Many people find that their debt levels become uncontrollable and need to act to resolve this.

1. Open and read [Debt factsheet (moneysmart.gov.au; PDF download)](https://static.moneysmart.gov.au/files/money-management-kit/debt.pdf). Explain what debt is.

2. Open and read [How to manage debt (Youth Central)](https://www.youthcentral.vic.gov.au/advice-for-life/finances/getting-financial-help/how-to-manage-debt) and then answer the following questions.

a. List the reasons why a person’s debt levels might increase or become beyond their ability to meet repayments.

b. What is the first step you should take in addressing an uncontrollable level of debt?

c. What is ‘debt consolidation’? How does debt consolidation help a person regain control of their debt?

d. What is a credit rating report? Why is it important to have a good credit rating?

3. Open and read [Bankruptcy and debt agreements (moneysmart.gov.au)](https://moneysmart.gov.au/managing-debt/bankruptcy-and-debt-agreements) and then answer the following questions.

a. Explain what bankruptcy is.

b. Explain what a debt agreement is.

c. What does a financial counsellor do?

d. Locate the names of three financial counsellors in your area.

4. Using the words and phrases in the word bank, fill in the empty spaces.

Bankruptcy is a \_\_\_\_\_\_\_\_\_\_\_\_\_\_ process by which a person declares that they are unable to meet their \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to repay their \_\_\_\_\_\_\_\_ . When a person is declared \_\_\_\_\_\_\_\_\_\_\_\_\_ by the courts, they are absolved from \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ most of the debts they owe. Debt collectors will then stop \_\_\_\_\_\_\_\_\_\_\_\_\_ them for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ; however, there are several important \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of being declared bankrupt that will affect you and your \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_for years afterwards.

**paying   debts  finances   obligations   harassing   consequences   bankrupt   legal payment**

5. Devise and create a poster titled ‘Getting debt levels under control: tips’.