

Choosing an Account



MATH ON THE JOB

Carla Thibodeau grew up in northern New Brunswick, where she attended Miramichi Valley High School. After graduating, she did her Bachelor of Arts at the University of New Brunswick, studied basic accounting at New Brunswick Community College, and then pursued leadership development training through an institution in Pittsburgh, Pennsylvania.

Carla is now back in the Miramichi, where she works as the senior member services representative at the Beaubear Credit Union. She is responsible for the cash supply at the branch, servicing of the ATM, control of money orders, coaching other member services representatives, and daily customer service.

A customer wants to buy \$500.00 USD in traveller's cheques and pay for them from her chequing account. At the time of purchase, the exchange rate is \$1.0526 CAD for \$1.00 USD. There is a 1% commission on the Canadian dollar value of the traveller's cheques. Carla must also charge a \$1.00 fee for the transaction. How much money should Carla withdraw from the customer's account?



Among her other duties, Carla Thibodeau uses math to project how much money her Beaubear Credit Union branch needs from day to day.

$$500 \text{ USD} \times \frac{1.0526 \text{ CAD}}{1 \text{ USD}} = \$526.30$$

$$526.30 \times 1.01 = 531.56$$

$$+ 1 = 532.56$$

SOLUTION

Carla will need to convert \$500.00 USD into Canadian dollars (CAD). At the time of purchase the exchange rate is \$1.0526 CAD for \$1.00 USD.

Calculate the cost of \$500.00 in USD traveller's cheques by converting \$500.00 USD to Canadian dollars.

$$\$500.00 \text{ USD} = 500 \times \$1.0526 \text{ CAD}$$

$$\$500.00 \text{ USD} = \$526.30 \text{ CAD}$$

The converted cost of \$500.00 USD is \$526.30 CAD.

Calculate the 1% commission.

$$\$526.30 \text{ CAD} \times 0.01 = \$5.26 \text{ CAD}$$

Add the commission of \$5.26 and the bank fee of \$1.00 to calculate the total cost for the traveller's cheques.

$$\$526.30 + \$5.26 + \$1.00 = \$532.56$$

Carla must withdraw \$532.56 from the customer's account to pay for the traveller's cheques.



- **Savings** accounts earn interest (very small rate) while **chequing** accounts do not earn interest (but allow you the ability to write cheques).
- Banks charge service charges/fees for transactions within your account.

NOTE: Most banks have different plans where a flat rate is paid monthly and a certain amount of transactions are allowed (special rates for seniors/students).

transaction: any activity such as a cash withdrawal, deposit, money transfer, pre-authorized payment, or bill payment

SELF-service banking



banking done using the internet,
telephone, banking machine or
smartphone app;

**does not require
the services of a teller**



FULL-service banking



banking that is done with the help of a Teller

What do we know about these terms?

- monthly fees
- rebates
- fee waived given minimum balance
- withdrawal
- deposit
- overdraft → protection when

money is not in your account (\$500 - \$1000)

DISCUSS THE IDEAS**CHOOSING YOUR BANK ACCOUNT**

Banks charge different transaction rates on different types of accounts. If you pay bills online and frequently use banking machines, you will likely want a different type of account than someone who makes regular deposits and prefers to do their transactions with a bank teller.

Working in a small group, brainstorm answers to the following questions.

1. What are some typical transactions that students are likely to make?
2. Have you ever written a cheque? When might you need to write a cheque?
3. Why might you want to have a full-service account? Why might you want a savings account?
4. Many banks offer an account selector on their website. What information would you need to consider about your financial needs so that you could make an informed choice when selecting a bank account?

SOLUTIONS

1. Answers will vary. Some typical transactions include: making purchases from stores, depositing paycheques and gifts, withdrawing cash, paying cell phone or internet bill.
2. You might need to write a cheque if you need to pay someone and you do not have cash, or if you want to pay a bill by mail. People often use cheques to pay rent.
3. You might want a full-service account if you do not like technology; if you need to purchase foreign currency or traveller's cheques often; or if you have a business.

You might want a savings account if you are saving up for something and you want to spend the savings on day-to-day items

4. In order to choose an appropriate bank account, you must know approximately what your average minimum balance will be each month and how many transactions of each type you would normally do each month, such as number of cheques, withdrawals, and regular deposits. Also, you should consider whether you need to buy foreign currency or traveller's cheques on a regular basis.



HOMWORK...

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Worksheet - Choosing an Account.pdf



3.1 Build Your Skills Detailed Solutions.pdf



Attachments

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