

Banking

Saving

- Reasons for saving
 - Future purchases
 - Unforeseen events
 - Children's Education
 - Income for the Future
 - Holidays

Investing

- Why would you bother investing your savings?
 - To earn interest
 - For safety
- Factors to Consider before deciding where to invest
 - Safety
 - Will the money be safe?
 - Interest Rate
 - What rate of return will I get?
 - Liquidity
 - Will it be easy to access my money?
 - Tax
 - Will I have to pay Deposit Interest Retention Tax (DIRT)
 - Convenience
 - Is the financial institution close by?

DIRT

Deposit Interest Retention Tax

- DIRT is a tax on interest earned from investments and savings
- Banks pay it “at source” to the Revenue Commissioners
- Eg

Investing

- Where can I invest my money?
 - Commercial Bank eg AIB, Bank of Ireland
 - Building Society eg EBS
 - Credit Union
 - An Post
 - No DIRT paid on certain investments in An Post but you must pay DIRT on deposit accounts

Bank Payments

- Standing Order
 - An instruction to the bank to pay a fixed amount from the account at regular intervals to a specified creditor or business e.g. Rent/mortgage
- Direct Debit
 - This is permission granted by an account-holder to a creditor to withdraw variable amounts from the account at any time. E.g electricity/gas bill
- Credit Transfer
 - The transfer of funds from one bank account to another
- Pay path
 - The electronic payment of wages directly into one's bank account by an employer
- Bank Draft
 - This is a cheque guaranteed by a bank and used when a buyer is unknown to seller/does not have a current account.

Card Payments

- ATM (Automated Teller Machine)
 - Customer can withdraw cash/top up phone/check account balance with the card and PIN (personal identification number)
- Credit Card
 - Customer is given the card with a credit limit
 - Goods and services can be paid for up to this limit
 - Customer receives a monthly statement. Has 28 days to pay the balance. If the balance isn't paid, high interest rates are charged
 - Examples include Visa and Mastercard

Card Payments

- Laser Card/Debit Card
 - Can be used by current account holders to pay for goods and services
 - Card is swiped at point of sale and customer is asked for their PIN.
 - Amount goes directly from customer's current account to seller's account.
 - A customer may also ask for cashback

Spending Abroad

- Bureau de Change
 - Euros can be exchanged for foreign currency at most banks or credit unions
 - Foreign currency can also be exchanged for euros.
 - Commission charged by banks
- Traveller's Cheques
 - If you are travelling abroad you can buy traveller's cheques in exchange for cash
 - They have to be signed twice, one in the presence of the bank cashier and once in the presence of the person you are giving the money too. Signatures must match and usually a passport is required as proof of payment

Sending Money Home/Internationally

- Postal Money Order
 - You can pay bills by mail order, donate to charity, send monetary gifts by post.
 - Can be purchased at a post office
- Western Union Money Transfer
 - Suitable to send money quickly. Recipients pick up their money in minutes.
 - Money sent and picked up at Western Union branches

Types of Bank Accounts

- Current Account
 - Used for day to day banking transactions
 - ATM or Laser payments come from the current account
 - Does not earn much interest
 - Have access to money at all times
 - Can avail of credit transfers
 - May get an overdraft
- Deposit Account
 - Used for saving money
 - Earns a higher rate of interest than a current account
 - Money may not be as accessible as in a current account

Opening a Bank Account

- The following are required
 - Application form – name, address, occupation
 - Proof of Identity – Passport/driving licence/utility bill
 - PPS Number (Personal Public Service)

Overdrafts

- Bank overdraft is where a person withdraws more money than is held in the account
 - An agreed limit is set by bank
 - Interest charged on overdrawn amounts
 - An overdraft can be repaid at any time in variable amounts and should be cleared as soon as possible
- Conditions that must be met before a current account can be overdrawn
 - Established customer
 - Creditworthy
 - Is able to repay
 - Agrees to keep within the overdraft limit
 - The account must be cleared of the agreed overdraft limit within the specified time or within one year

Money Transfers

- Standing Order
 - An instruction an account holder gives to a bank to transfer a fixed amount of money to another account at regular intervals
- Direct Debit
 - An instruction an account holder gives to a bank to allow a creditor to withdraw a variable amount of money from their account on a date that varies

Money Transfers

- Paypath

- The electronic payment of wages from an employer's bank account into an employee's bank account
- Benefits for employee:
 - More secure as they are not carrying cash
 - More convenient as they don't have to visit the bank
 - Prevent impulse buying
- Benefits for employer:
 - More secure as they are not holding large amounts of cash on the premises
 - More convenient as they don't have count cash or write cheques

Money Transfers

- Credit Transfer
 - The once off transfer of money from one account to another

Cheques

- Parties to a cheque
 - Drawer – Person who writes the cheque
 - Drawee – Bank where the drawer holds the account
 - Payee – Person whom the cheque is made payable to
- Crossing a Cheque
 - When a cheque is crossed it ensures that the cheque can be paid only into the account of the payee
- Endorsing a Cheque
 - Payee signs the back of the cheque so that it can be passed on to a third party. A crossed cheque cannot be endorsed

Cheques

- Types of Cheques
 - Stale Cheque
 - A cheque that has been drawn over six months ago. It cannot be cashed
 - Postdated Cheque
 - A cheque written with a date in future. Cannot be cashed until that date has passed
 - Blank Cheque
 - No amount has been filled in
 - Dishonoured Cheque
 - Cheques which the banks refuse to pay . Will be returned to drawer marked “R/D”
 - Stopped Cheque
 - A cheque where the drawer informs his/her bank not to cash the cheque

Cheques

- Reasons why a bank refuses to cash a cheque
 - If the cheque is stale
 - If the drawer dies or becomes bankrupt
 - If the amount in words does not match the figures
 - If forgery is suspected
 - If the signature does not match the specimen signature
 - If the cheque is not signed

Other Bank Services

- Loans
- Mortgages
- Strongroom facility
 - For storage of valuables
- Buying/Selling shares
- Internet/Telephone Banking
- Night Safe
 - Allows money to be lodged in the bank after the bank has closed.
 - Person/business must have a special numbered wallet and key.
- Financial Advice

Interest Calculations

- Simple Interest
- CAR
 - Compound Annual Rate
 - See Page 140 in text book for calculation questions