

NAME: _____

DATE: _____

ACTIVITY

Protected or Not?

What + Why: Figure out which financial products are protected and which are not so you can better understand what happens when money is saved versus invested.

Instructions:

1. Read each financial product and complete the chart.
2. In Part 1, decide whether the product is mainly for:
 - Growth
 - Safekeeping
3. In Part 2, decide whether the product is:
 - Protected
 - Not protected
4. In Part 3, answer the questions about your completed chart.
5. Look for clues:
 - Where is the money kept?
 - Is it being saved or invested?
 - What is the person expecting to happen to this money?



Be ready to explain your reasoning using details from each financial product.

Part 1: Purpose

Complete the Part 1: Purpose column for each financial product in the chart. Hold off on completing the Part 2: Protection column just yet.

Financial Product	Part 1: Purpose	Part 2: Protection
Checking Account A checking account is used to hold money for everyday spending, paying bills, and accessing funds easily with a debit card or checks.	☐ Growth ☐ Safekeeping	☐ Protected ☐ Not protected
Savings Account A savings account is used to hold money that may be needed for a goal or emergency while earning a small amount of interest over time.	☐ Growth ☐ Safekeeping	☐ Protected ☐ Not protected
Certificate of Deposit (CD) Money is deposited into a certificate of deposit (CD) for a set amount of time in exchange for earning interest.	☐ Growth ☐ Safekeeping	☐ Protected ☐ Not protected
Stocks Money is invested in stocks, which represent shares of ownership in a company, in hopes the value will grow over time.	☐ Growth ☐ Safekeeping	☐ Protected ☐ Not protected
Mutual Fund A mutual fund combines money from many investors to buy a professionally managed collection of stocks, bonds, or other investments.	☐ Growth ☐ Safekeeping	☐ Protected ☐ Not protected
Cryptocurrency Cryptocurrency is a digital asset that people buy in hopes its value will increase over time.	☐ Growth ☐ Safekeeping	☐ Protected ☐ Not protected

Part 2: Protection

The Federal Deposit Insurance Corporation (FDIC) and National Credit Union Association (NCUA) were created to protect people's money when a financial institution (a bank or credit union) fails. They cover up to \$250,000 of what people deposit for safekeeping (money they aren't expecting to lose). They do NOT cover money people invest with the expectation of growth, because with investment comes the accepted possibility of loss.

Return to the chart and complete the Part 2: Protection column for each financial product.

Part 3: Find a Pattern

Look back at your completed chart to answer these questions.

1. What do you notice about which financial products are protected and which are not? What do the protected products have in common, and what do the unprotected products have in common?
2. Consider this scenario: Yash kept \$5,000 in an FDIC-insured savings account. The bank failed, but his money was fully returned. Jacobo kept \$5,000 in a stock mutual fund. The market dropped and his balance fell to \$3,200. Was Jacobo's money protected?
3. Why do you think programs like the FDIC and NCUA were created? And, what might that tell you about what they are actually protecting people from?