What are Banking Account Types?

Worksheet

Banking account types include checking accounts (daily access, no interest), savings accounts (limited withdrawals, earn interest), money market accounts (hybrid features), and certificates of deposit (high interest, locked term).

Questions

1. Which account has unlimited free withdrawals?

A) Savings account
B) Money market account
C) Checking account
D) Certificate of deposit

2. You lock $10,000 for 3 years in a CD at 5% APY. When can you withdraw?

A) Anytime, no penalty
B) After 3 years; early withdrawal = penalty
C) Every month with interest earned
D) Only after interest reaches $500

3. Why does a savings account pay interest?

A) For storing money safely
B) Because the bank lends your deposits to others and shares profit
C) Bonus for setting up the account
D) Federal requirement

4. Best account for a 6-month emergency fund?

A) Checking (instant access)
B) Money market (access + 4–5% interest)
C) CD (locked in)
D) Savings (too low interest)

5. You need daily access to money and want some interest. Which account?

6. You have $5,000 you won't touch for 2 years. What earns most?

7. Your employer deposits your paycheck weekly. Best account?

8. Define: What is a checking account?

9. Define: Do savings accounts earn interest?

10. Define: What is a CD and when use it?

Answer Key

1. C) Checking account — Checking accounts are designed for frequent transactions with no withdrawal limits.

2. B) After 3 years; early withdrawal = penalty — CDs have fixed terms. Early withdrawal incurs a penalty; after the term ends, withdraw fee-free.

3. B) Because the bank lends your deposits to others and shares profit — Banks lend deposits to borrowers (mortgages, loans) and pay you interest as a share of that revenue.

4. B) Money market (access + 4–5% interest) — Money market balances liquidity (quick access) with competitive interest rates.

5. Your priority: access + interest Checking offers access, no interest Savings offers access + interest Choice: Savings account

6. Your priority: maximum interest, can lock money Regular savings: ~0.5% APY Money market: ~4% APY CD (2-year): ~5% APY Choice: 2-year CD gives highest return

7. Your need: frequent deposits + access CD: No — can't add funds Checking: Yes — designed for this Choice: Checking account

8. A bank account for daily transactions with unlimited deposits/withdrawals but typically no interest.

9. Yes, but access is more limited (usually 6 withdrawals/month) and interest rates are modest.

10. Certificate of Deposit — lock money for a fixed term (3 months–5 years) at guaranteed interest rate.