LO1 1. *Adapting to a low interest rate environment.* A retired couple has expressed concern about the really low interest rates they're earning on their savings. They've been approached by an advisor who says he has a "sure-fire" way to get them higher returns. What would you tell this retired couple about the low-interest-rate environment, and how would you advise them to view the advisor's new prospective investments?

LO2, 3, 4 3. *Comparing banks online.* What type of bank serves your needs best? Visit the Web sites of the following institutions and prepare a chart comparing the services offered, such as traditional and online banking, investment services and personal financial advice. Which one would you choose to patronize, and why?

a. Wells Fargo (https://www.wellsfargo.com)—a nationwide, full-service bank

b. A leading, local commercial bank in your area

c. A local savings institution

d. A local credit union

LO2, 3, 4 4. *Choosing a new bank.* You're getting married and believe your present bank is not a good fit. Discuss how you should go about choosing a new bank and opening an account. Consider the factors that are important to you in selecting a bank—such as the type and ownership of new accounts and bank fees and charges.

LO3 2. *Exposure from stolen ATM card.* Suppose that someone stole your ATM card and withdrew $1,000 from your checking account. How much money could you lose (according to federal legislation) if you reported the stolen card to the bank: (a) the day the card was stolen, (b) 6 days after the theft, (c) 65 days after receiving your periodic statement?

LO4 5. *Calculating the net costs of checking accounts.* Determine the annual net cost of these checking accounts:

a. Monthly fee $4, check-processing fee of 20 cents, average of 23 checks written per month

b. Annual interest of 1.5 percent paid if balance exceeds $750, $8 monthly fee if account falls below minimum balance, average monthly balance $815, account falls below $750 during four months

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LO4

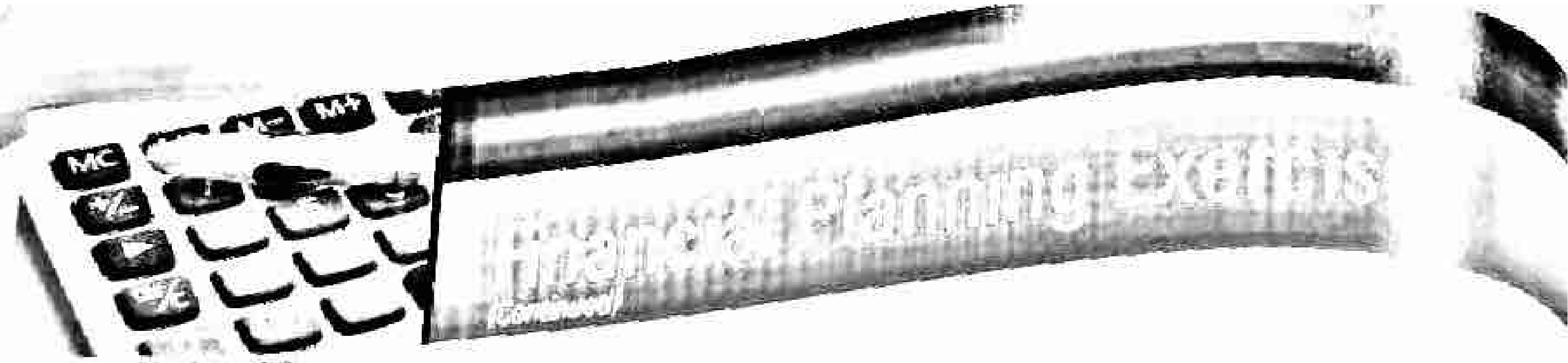
6. *Checking account reconciliation. Use Worksheet 4.1.* Emilio Valadez has a an interest-paying (NOW) checking account at the Second State Bank. His checkbook ledger lists the following checks:

Check Number	Amount
654	$206.05
658	55.22
662	103.00
668	99.00
670	6.10
671	50.25
672	24.90
673	32.45
674	44.50
675	30.00
676	30.00
677	111.23
678	38.04
679	97.99
680	486.70
681	43.50
682	75.00
683	98.50

Emilio also made the following withdrawals and deposits at an ATM near his home:

Date	Amount	Transaction
11/1	$50.00	*Withdrawal*
11/2	$525.60	*Deposit*
11/6	$100.00	*Deposit*
11/14	$75.00	*Withdrawal*
11/21	$525.60	*Deposit*
11/24	$150.00	*Withdrawal*
11/27	$225.00	*Withdrawal*
11/30	$400.00	*Deposit*

Emilio's checkbook ledger shows an ending balance of $286.54. He has just received his bank statement for the month of November. It shows an ending balance of $622.44; it also shows that he earned interest for November of $3.28, had a check service charge of $8 for the month, and had another $20 charge for a returned check. His bank statement indicates the following checks have cleared: 654, 662, 672, 674, 675, 676, 677, 678, 679, and 681. ATM withdrawals on 11/1 and 11/14 and deposits on 11/2 and 11/6 have cleared; no other checks or



ATM activities are listed on his statement, so anything remaining should be treated as outstanding. Use a checking account reconciliation form like the one in Worksheet 4.1 to reconcile Emilio's checking account.

LO5, 6 7. *Calculating interest earned and future value of savings account.* If you put $6,000 in a savings account that pays interest at the rate of 3 percent, compounded annually, how much will you have in five years? (Hint: Use the future value formula.) How much interest will you earn during the five years? If you put $6,000 each year into a savings account that pays interest at the rate of 4 percent a year, how much would you have after five years?

LO5, 6 8. *Determining the right amount of short-term, liquid investments.* Walter and Susan Reagan together earn approximately $92,000 a year after taxes. Through an inheritance and some wise investing, they also have an investment portfolio with a value of almost $200,000.

a. How much of their annual income do you recommend the Reagans hold in some form of liquid savings as reserves? Explain.

b. How much of their investment portfolio do you recommend they hold in savings and other short-term investment vehicles? Explain.

c. How much, in total, should they hold in short-term liquid assets?

LO6 9. *Short-term investments and inflation.* Describe some of the short-term investments that can be used to manage your cash resources. What factors would you focus on if you were concerned that inflation will increase significantly in the future?