# Money in Motion

Trace how financial institutions connect people with money to people who need it.

**GE.6.2** "Explain the role financial institutions play among savers, borrowers, and investors."

NAME _____ DATE _____

## 1 READ AND MARK

Read it twice

**YOUR JOB** Underline one sentence showing how the bank channels money toward borrowers and one showing how the brokerage helps an investor. Circle each use of the words saver, borrower, and investor to track the roles people play.

### From Savings to New Projects

1. At the start of summer, Maya deposits $600 from her weekend job in a savings account at Harbor Bank. The bank records her balance and lets her withdraw it under the account's rules. It may pay her interest for keeping money there. Maya does not hand her $600 directly to a particular borrower. Instead, the bank combines deposits from many customers and uses part of its funds to make loans. The bank must also keep enough money available to meet withdrawals and follow banking rules. Maya is a saver: the account helps her store money while the bank channels funds toward borrowers.

2. Across town, Luis wants a loan to buy a second oven for his bakery. Harbor Bank checks his income, business plans, and credit history before deciding whether to lend. If approved, Luis receives money now and agrees to repay the loan plus interest over time. That makes him a borrower, not a saver. The bank earns money partly from the difference between interest it collects on loans and interest it pays on deposits. It also takes a risk: Luis might not repay. By screening applicants and managing that risk, the bank connects people with funds to people who need them.

3. Maya's uncle wants to invest in the city's new water pipes instead of keeping all his savings in a bank account. Through a brokerage, he buys a newly issued bond from the city. The city is the borrower: it receives money from buyers of its new bonds and promises scheduled interest payments and repayment of the bond's principal at maturity. Maya's uncle is an investor because he buys an asset in hopes of earning a return. The brokerage helps arrange the purchase, but it does not promise the bond will pay. The city could fail to repay, so the investor bears risk.

## 2 ANSWER WITH EVIDENCE

Use the passage

1. How can Maya's deposit help fund Luis's oven even though Maya does not lend to him directly?

2. How does Harbor Bank's role connect interest paid to savers with interest charged to borrowers? What risk does the bank take?

3. When Maya's uncle buys the new bond, how does the brokerage help connect an investor to a borrower? Identify both roles.

4. What does Maya expect to receive from the bank, and what does her uncle expect to receive from the city? Explain who owes each payment.

## 3 YOUR TURN

Your own words

A community theater needs $8,000 for new seats. In 4 to 5 sentences, describe how a financial institution could connect someone with available money to the theater. Identify the person's role, the theater's role, how the money reaches the theater, who expects repayment or a return, and one risk.

ANSWER KEY

# Money in Motion

HIGH SCHOOL · GE.6.2

## PART 1 · READ AND MARK

Underline one sentence showing how the bank channels money toward borrowers and one showing how the brokerage helps an investor. Circle each use of the words saver, borrower, and investor to track the roles people play. Accept any marking that follows this job and points at the right text.

## PART 2 · ANSWERS

| # | QUESTION | ANSWER |
|---|---|---|
| 1 | How can Maya's deposit help fund Luis's oven even though Maya does not lend to him directly? | **Harbor Bank combines customers' deposits with its other funds and uses part of its funds to make loans, including a possible loan to Luis.** |
| 2 | How does Harbor Bank's role connect interest paid to savers with interest charged to borrowers? What risk does the bank take? | **The bank may pay interest on deposits and collects interest on loans. It earns money partly from the difference, but it risks a loss if a borrower does not repay.** |
| 3 | When Maya's uncle buys the new bond, how does the brokerage help connect an investor to a borrower? Identify both roles. | **The brokerage helps Maya's uncle, the investor, buy the newly issued bond. His purchase sends money to the city, the borrower.** |
| 4 | What does Maya expect to receive from the bank, and what does her uncle expect to receive from the city? Explain who owes each payment. | **Maya expects access to her account balance and possibly interest from the bank. Her uncle expects interest and repayment of the bond's principal from the city.** |

## PART 3 · YOUR TURN (SAMPLE ANSWER)

A local worker deposits wages in a bank savings account, becoming a saver. The bank pools deposits with other funds and lends $8,000 to the theater for seats after checking its finances. The theater is the borrower and must repay the bank with interest. The bank may pay the saver interest and must honor the account's withdrawal terms. If the theater cannot repay its loan, the bank bears a loss.

Accept a bank loan or a plausible investment arrangement if the response correctly identifies the institution's role, the source and destination of funds, the expected repayment or return, and a related risk. Do not require the theater to receive the exact dollars deposited by one saver.