

GRADUATE SCHOOL OF BUSINESS AND ENTREPRENEURSHIP



English in business communication skills:

Lesson 4

Personal finance; Traditional banking

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CONTENT:

1. **Traditional banking;**
2. **Alternative banking;**
3. **Internet banking;**
4. **Personal investing;**
5. **Derivatives.**





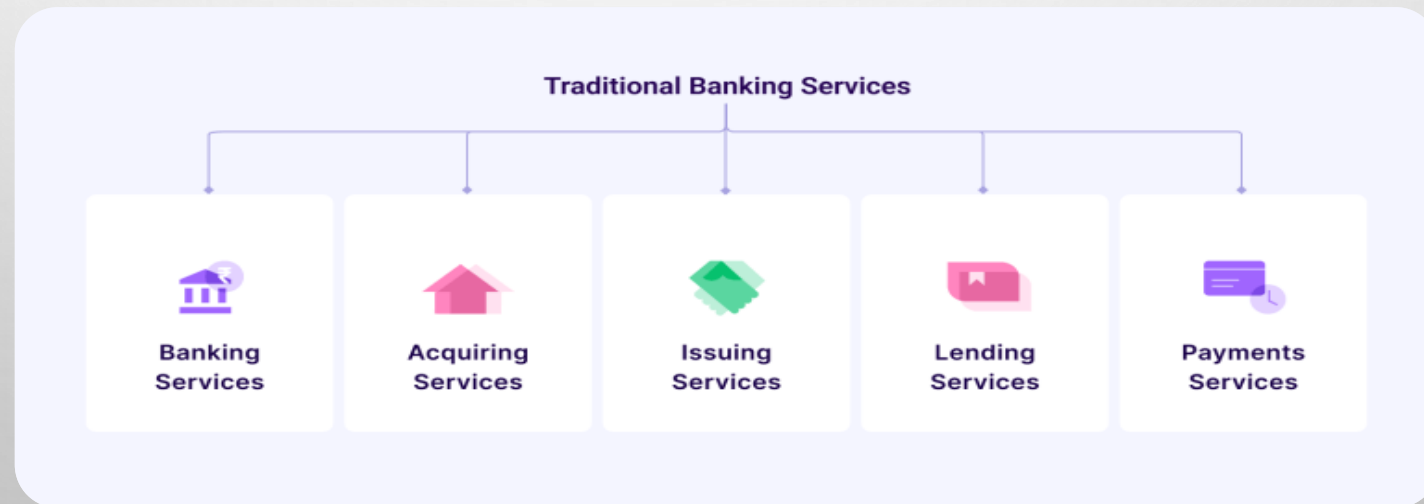
<https://suitsmecard.com/blog/how-is-alternative-banking-different-from-traditional-banking>

Not so long ago, banking involved going to the bank to conduct whatever business you had to take care of that day. With the rise of the internet, things have changed and the better for the most part. More people than ever have switched to alternative banking without even thinking about what this means.

To help you understand the difference between alternative banking and traditional banking, let's take a closer look at what each of these involves.

Traditional banking was built on the premise of creating capital. This usually means that traditional banking institutions rely on customers depositing funds into the banking system and then lending these funds to other customers in the form of loans and mortgages. Those availing themselves of loans pay fees and interest on the money they borrow, which generates capital and profits for the bank.

Customers can walk into a bank and deposit or withdraw funds, borrow money and make use of the many other services the banks may offer. These days, however, customers can also perform all of these tasks online but remain in the traditional banking system.



Traditional banking

branch – a branch of a business or other organization is one of the offices, shops, or groups which belong to it and which are located in different places;

current account – is a personal bank account which you can take money out of at any time using your cheque book or cash card;

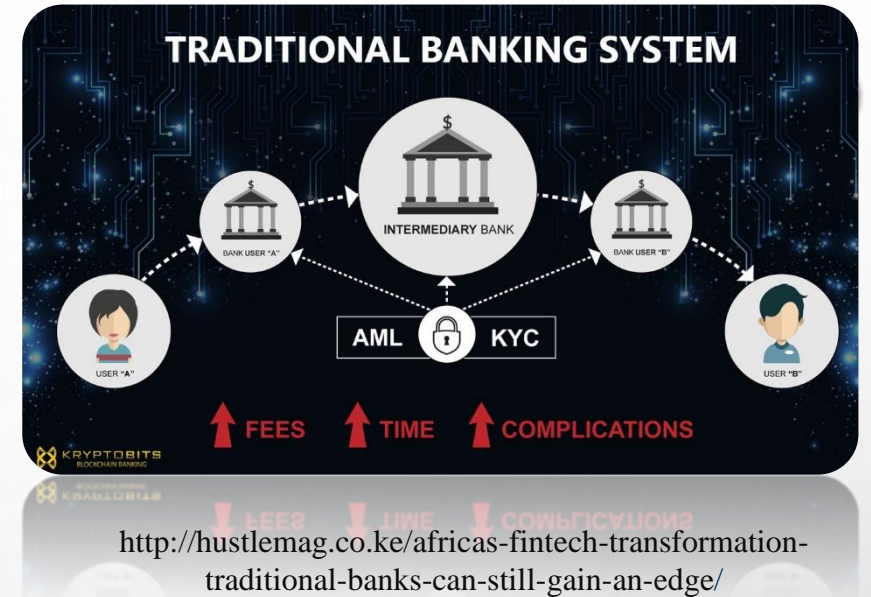
joint account – a bank account registered in the name of two or more persons, any of whom may make deposits and withdrawals;

be in the black – if a person or an organization is **in the black**, they do not owe anyone any money;

overdraft – if you have an overdraft, you have spent more money than you have in your bank account, and so you are in debt to the bank;

overdraft facility - a facility (of a bank or building-society cheque account) that allows a withdrawal of money in excess of the account's credit balance.

overdrawn - if you are overdrawn or if your bank account is overdrawn, you have spent more money than you have in your account, and so you are in debt to the bank



deposit account – a deposit account is a type of bank account where the money in it earns interest;

savings account – an account at a bank that accumulates interest;

credit card – a credit card is a plastic card that you use to buy goods on credit;

plastic – credit cards or other bank cards that are used to pay for things rather than using cash;

pay off – if you pay off a debt, you give someone all the money that you owe them;

mortgage – is a loan of money which you get from a bank or building society in order to buy a house;

Building society – in Britain, a building society is a business which will lend you money when you want to buy a house. You can also invest money in a building society, where it will earn interest;

credit crunch – is a period during which there is a sudden reduction in the amount of money that banks and other lenders have available to lend;

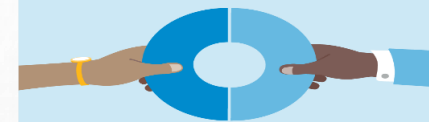
negative equity – if someone who has Borrowed money to buy a house or flat has negative equity, the amount of money they owe is greater than the present value of their home.

I'm Elizabeth. I have an **account** at the Local **branch** of one of the big **banks**. I Have a **current account** which I use to write cheques, make bill payments, and so on. It's a **joint account** with my Husband. Normally, we're **in the black**, but sometimes we spend more money than there is in the account and we **go into the red** and have an **overdraft**. We have an **overdraft facility** – an agreement with the bank to be in this situation as long as the overdraft stays within a certain amount. There are **charges** that are taken from the account if we **go overdrawn**. And of course we pay **interest** on the overdraft. The **interest rate** is quite high.

Joint Account Holders & Beneficiaries:

Understanding the Differences

Joint Account Holders



Beneficiaries



Do they currently have access to my account?

Yes, they have equal access and rights to your account.



No, unless they are also joint account holders on your accounts.

What happens upon my passing?

They have full ownership of the available money in the account.¹



If there are no joint account holders, the money is divided equally among all beneficiaries.

Do they have to be UNFCU members?

No. To keep the money at UNFCU upon your passing, they will need to become a member if they are eligible to join.²



No, but the transfer of wealth is easier if eligible² family members become UNFCU members.

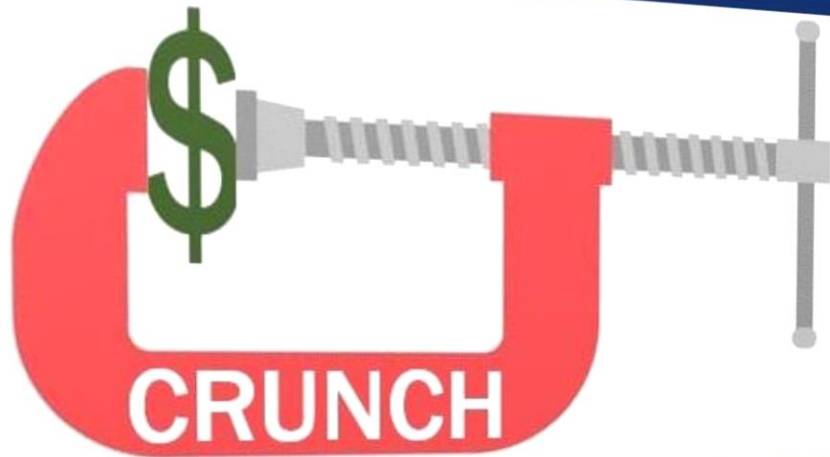
How many can I add to my account?

Only 1 person per account.



Up to 5 beneficiaries per account.³ This includes people, trusts, and organizations.

Credit Crunch



A sudden sharp reduction in the availability of credit

‘I also have a **deposit account** or **savings account** for keeping money for the longer term. This account pays us **interest** but not very much, especially after tax! ‘We have a **credit card** with the same bank too, plus other cards with other **credit card companies**. Paying with **plastic** is very convenient. But we **pay off** the total amounts we’ve spent every month, So we don’t pay interest on these, luckily. ‘We also have a **mortgage** – a loan to buy a house. This is with a type of bank called a **building society**. Luckily, we were not affected by the **credit crunch**, when banks were much more hesitant to lend than before, or **negative equity**, when house prices fell and left some buyers owing more on their mortgage than their house was worth.’

What is Alternative Banking?

For those looking at a different way of banking, there are many alternatives. Digital banking is all about convenience, and very few people want to wait in long queues at the bank to conduct their business. However, alternative banking involves a lot more than just deposits and withdrawals. You can easily pay your bills, transfer funds to family and friends, do your shopping online and do many other transactions.

Apart from traditional banking institutions, alternative banking also includes:

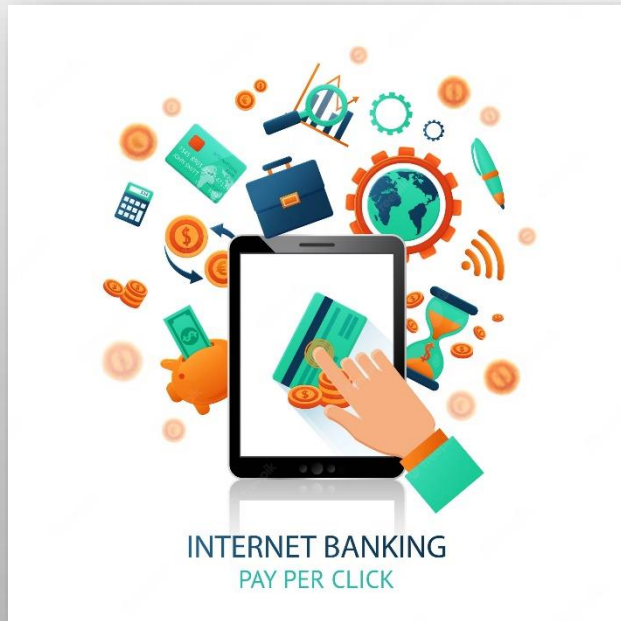
- Online-only banks
- Prepaid debit card providers
- Borderless bank accounts
- Fintech Banking (Financial Technology)
- Higher Yield Money Market Accounts
- Credit Unions
- Peer-to-Peer lending services

<https://www.linkedin.com/company/micro-capitals-bank>



Internet banking

“In the old days, there was always a queue when I went to my bank, but now they offer **internet banking**. Through my computer at home, I can check my **account balances** – the amount I have in each account – and **transactions** – money going in and coming out. I can even **apply for a personal loan** online. If there’s a problem, I can always phone the bank’s **call centre**”



internet banking - a bank that allows customers to conduct business online;
account balances – a figure stating how much money is in a bank account; it can be in debit or in credit;
a personal loan – is an amount of money you can borrow to use for a variety of purposes

Which is better? Alternative or traditional banking?

Deciding between alternative or traditional banking depends on what works for you and your needs. Part of your decision should be whether you need these banking services for personal or business reasons. To determine what works for you, here are the pros and cons of alternative and traditional banking.



TRADITIONAL BANKING

Pros

- Lower fees
- Better interest rates (in some cases)
- Wide range of products
- Flexibility
- Personal connection with a real person
- Your money is generally safer
- ATMs are available almost everywhere



<https://ru.ipakyulibank.uz/>

Cons

- Can be very slow getting accounts opened
- Long queues
- Many forms to fill out and sign
- Only open during business hours

<https://omskpress.ru/news/309873/bank-bez-dlitelnogo-ozhidaniya-ocheredi/>



ALTERNATIVE BANKING

Pros

- Easy application process
- More loan options
- Available 24/7
- No need to visit a physical bank
- Access your money anytime, anywhere
- Easier to do business all over the world



<https://blog.genome.eu/>

Cons

- Fees are generally higher
- Restrictions on limits may apply
- Most don't have their own ATMs
- No personal connection



<https://suitsmecard.com/blog/alternative-banking-what-does-this-mean>

Personal investing

unit trusts – is an organization which invests money in many different types of business and which offers units for sale to the public as an investment ;

small investors – someone who invests small amount of money;

ISA –individual saving account - in British deposit terminology, the term individual savings account refers to an investment product available to residents of the united kingdom;

financial products – a product that is connected with the way in which you manage and use your money, such as a bank account, a credit card, insurance, etc.;

saver – a person who saves money regularly;

pay out – when an insurance policy **pays out**, the person who has the policy receives the money that they are entitled to receive;

contribution – a **contribution** is a sum of money that you give in order to get a regular income like pension;

windfall – is a sum of money that you receive unexpectedly or by luck;

demutualized – if a building society or insurance company **demutualizes**, it abandons its mutual status and becomes a limited company;

financial institution – a company that provides financial services for example, a bank, an insurance company, ...



<https://knowledge.wharton.upenn.edu/article/personal-investment-strategies-for-volatile-times/>

‘We have some **unit trusts** – shares in **investment companies** that put money from **small investors** like me into a range of companies. One type of unit trust here in the UK is in the form of an **ISA** – an **individual savings account** – but there are many other **financial products** available for savers.

‘My husband and I have **life insurance** which would **pay out** if either of us dies. This is just one of the **insurance policies** that we have.

‘I pay **contributions** into a **private pension**, which will give me a regular income for my **retirement** when I stop working. I’ve never joined a **company pension scheme** and the government **state pension** is very small!

‘I’m lucky: I recently received a **windfall**, an unexpected one-off increase in the value of my **pension fund**, when my pension company was **demutualized**.

‘Some **financial institutions** now offer all these **financial products**.’



Fee Based Banking Services

Banks earn their income in two parts. One type of income is generated by undertaking risk i.e. by lending their deposits. This is called interest income and forms the major portion of any bank's earnings. However, **banks can also generate earnings from other sources wherein they do not have to lend money or collect interest. Such sources are called fee based banking services** and form an important part of any banks profit and loss statement. In this article we will list down the various sources from which banks can generate non interest i.e. fee based income.



[/https://www.youtube.com/watch?v=tP_P29mG0Fc](https://www.youtube.com/watch?v=tP_P29mG0Fc)

Cards

Credit cards and debit cards have been new addition to the banks portfolios. However, in a short span of time, these services have started accounting for large sums in any bank's non interest earnings. There are a variety of fees charged by these cards. There are some fees like joining fees and annual fees. Then there are charges such as interest on overdue balance, over limit fees, service taxes etc. All these charges were not a part of any banks earnings a few years earlier. Besides every time a credit or debit card is used, banks that have issued such cards are paid fees by the merchant.

The introduction of credit cards has created this new addition to the bottom line of the bank's income statement.



<https://www.electronicpaymentsinternational.com/news/debit-cards-set-a-record-high-transaction-volumes-than-credit-cards/>

Commissions

Banks have also started providing other services like selling insurance and mutual funds to their customers. Since banks have an intimate relationship with the customer, they are in a position to estimate their net worth and advise them regarding insurance as well as investment needs accordingly. Hence, insurance companies and mutual fund companies collaborate with banks to provide a one stop shop to the customers. Banks charge commissions to market these services to their customers. Over a period of time, commissions from bancassurance have started accounting for significant percentages of non interest incomes.



Account related fees

Banks also charge a wide variety of fees in order to maintain their customer's accounts. For instance when customers request checkbooks or additional debit cards, they are charged a fee. Besides, banks also charge penalties if the deposits maintained fall below a certain limit. They also charge fees if there are more than a certain number of withdrawals made within a given time period. Some form of payments made via bank accounts also result in fees being charged to the account.



<https://www.istockphoto.com/photo/fees-sign-gm688742092-126808135>

Reference

1. **Business vocabulary in use, Bill Mascull, Cambridge university press, 2017. (pp. 78-79)**
2. **Intelligent business, Christine Johnson, Pearson Education Limited, 2006. (pp.85-93)**
3. **<https://www.investopedia.com>**
4. **<https://www.accountingtools.com>**
5. **<https://www.managementstudyguide.com/banking-articles.htm>**

The image features a light gray background with a subtle radial gradient. In the top-left and bottom-right corners, there are clusters of realistic, 3D-rendered water droplets of various sizes, some overlapping. The text "Thank you for attention!" is centered in a bold, black, serif font.

Thank you for attention!