

Money and finances

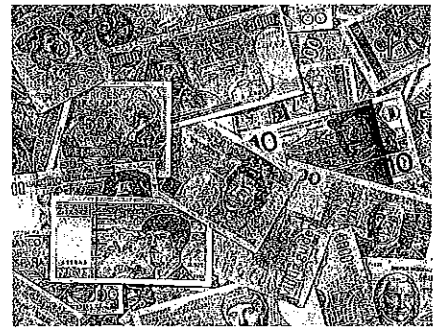
A

Banking and making purchases

When you buy something in a store, you may be asked: "How do you want to pay?" You can answer: "Cash. / Check. / With a credit card."

In a bank you usually have a checking account. You make deposits (put money in) and withdrawals (take money out). You write checks on the account to pay bills. You may also have a savings account, which usually pays you interest – money paid for keeping your savings there. The bank sends you a regular bank statement showing the activity in your account. If you take out more money from an account than you have in it (usually by writing checks), your account is overdrawn, a situation to be avoided! If you write a check but your account has insufficient funds to cover it, the check may bounce (colloquial use); that is, the bank refuses payment. Banks also offer certificates of deposit (CDs), which pay you higher interest rates than savings accounts. However, money can't be withdrawn from a CD for a specified time without a penalty, a fee charged for early withdrawals.

Sometimes the bank may lend you money – this is called a bank loan. If a bank (or a savings & loan institution) lends you money to buy a home, it is called a mortgage. You pay back the amount of the loan – the principal – with interest. Banks have higher interest rates for borrowers than for savers.



When you use a credit card to make purchases, you receive a monthly statement from the credit card company. The billing date is the date the statement was prepared, the balance is the amount you owe, and the due date is the date by which you must pay. However, you can pay a part of the balance and owe the rest, but you'll incur a finance charge, which is usually rather high.

Money that you pay for services (e.g., to a lawyer) is usually called a fee or fees. Money paid for student courses (e.g., at a university) is called tuition; other costs paid by students are called fees (e.g., registration/laboratory fee). Money paid for a trip is a fare.

B

Public finance

National and local governments collect money from residents through taxes. Income tax is collected on wages and salaries. Inheritance tax is collected on what people inherit from others upon death. Customs duties or excise duties are paid on certain goods imported from other countries. Sales tax is a percentage of the price of goods and services, added to the total cost. Value added tax (VAT) (found in the U.K. and other countries, but not in the U.S.) is a tax based on value, added to a product at each stage of production. Companies pay corporate taxes on their profits.

Every country has its own currency. The rates of exchange are published daily, and you can check, for example, how many yen there are currently to the dollar.