

How Banks Work Activity

You learned that banks act as intermediaries. They accept money from savers, and pay them interest. They lend some of that money to borrowers, and charge them interest. Banks make a profit by charging for their services. They receive more interest from borrowers than they pay to savers.

This activity demonstrates how banks make loans and earn a profit.

First, you will draw a number out of a bag (1-4).

This number represents how many index cards you will receive. Your index cards represent your income, as well as your paper clips.

You get to decide whether you are going to build a house or start a business. Here are the costs:

- Big business – 4 index cards
- Big house – 3 index cards
- Small business – 2 index cards
- Small house – 1 index card

When directed, you will flip your coins two times to decide what to build:

- Heads-Heads: You will build a big business
- Heads-Tails: You will build a big house
- Tails-Heads: You will build a small business
- Tails-Tails: You will build a small house

Depending on what you get, stack your cards together, and label the top one accordingly. If you are building a business, label what kind of business you would like to build. Then, bring it over to the community table.

After, decide if you want to put your leftover index cards back in the bank. If you do, you'll receive in interest one paperclip.

If you run out of business cards as our community continues to build, you will have to take a loan out of the bank. You will be charged two paper clips for one index card.

