

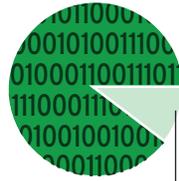
MAKING MONEY

THE OLD-FASHIONED WAY: PRINTING IT

The broad money supply in the U.S. in January 2015 was approximately **\$11,700,000,000,000.**

If you don't want to count the zeroes, that's trillions. But only about 10 percent of that amount exists as physical currency. The rest is exchanged electronically in checking and savings accounts.

The broad money supply, called M2, is mostly binary code



\$1.34 trillion physical cash, January 2015

NUMBER OF PAYMENTS BY INSTRUMENT



OVERALL VALUE OF PAYMENTS BY INSTRUMENT



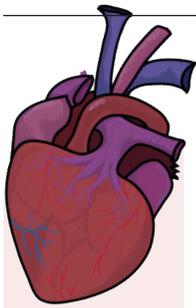
Despite the growth of digital banking, 2012 Federal Reserve data show that cash remains dominant, especially for low-value payments. The average transaction is **\$21** for cash, **\$168** for checks and **\$44** for debit cards.

IT DOESN'T GROW ON TREES

The cost of producing physical currency has nearly doubled in the past 20 years to more than **\$500 million** annually. A \$1 bill costs about 4.9 cents to produce, while a \$100 bill costs 12.3 cents. A big part of the expense is replacing paper money, which has a short lifespan.

LIFESPAN OF BILLS

\$1	5.9 years
\$5	4.9 years
\$10	4.2 years
\$20	7.7 years
\$50	3.7 years
\$100	15.0 years



CIRCULATORY SYSTEM: People die when their hearts stop pumping. The same thing happens to the economy when banks stop circulating money. As the country's central bank, the Federal Reserve functions like the heart. Pumping physical currency through the system is one important function.

1. Fed determines the number of new bills needed and submits a print order to the Bureau of Engraving and Printing (BEP).

2. BEP prints bills in Washington, D.C., and Fort Worth, Texas.

3. BEP transports bills to the Fed's 28 cash offices in 12 districts.

4. Fed pays BEP the cost of printing and transporting new bills — not the face value of the currency.

5. U.S. Mint consults the Fed and determines annual coin production.

13. Reusable coins and bills are packaged for recirculation, and the process starts over.

12. The Fed ships damaged coins to the Mint for recycling and reimbursement.

11. Suspected counterfeit cash is sent to Secret Service.

10. When the Fed receives cash from a bank, it checks every bill. About one-third of the notes are too worn, and the Fed destroys them. Waste is sent to landfills or turned into souvenirs for the public.

9. Damaged cash is returned to the Fed, along with bank surplus.

8. After circulating in the economy, cash makes its way back to a neighborhood bank.

6. Mint stamps coins in Denver and Philadelphia and transports them to Fed cash offices. Fed pays the face value for coins.

7. About 8,700 banks and credit unions use Fed offices like ATMs.

★ Cash office and mint
Consumers get cash from banks and credit unions and spend it.

