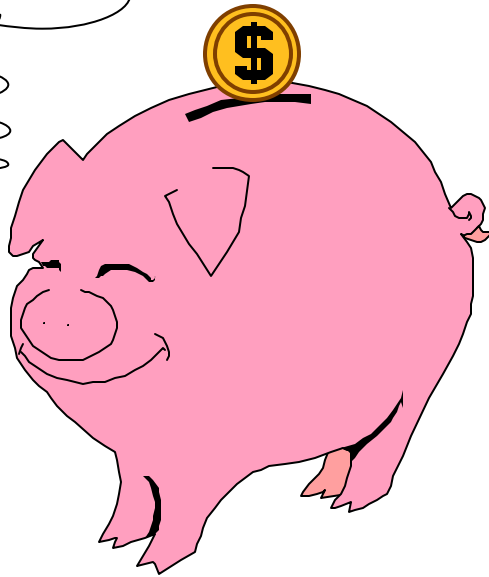


PROJECT F.U.N.D.S

*Fun Understanding Nickel
and Dime Savings*



CHILDREN'S AID SOCIETY

Workshop I:

Why should you save?

For use with Middle School Students



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PRESENTATION OUTLINE:

Why should you save?

OVERVIEW

Students will discuss the importance of saving and the use of financial institutions. They will also identify their short and long term financial goals.

OBJECTIVES: Students will:

- Discuss their individual experiences with saving.
 - Create a list of things students can save for in the future.
 - Identify the differences between need and wants.
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Lesson # 1

TIME NEEDED: Approximately 45 minutes

GOALS: Students will understand what it means to save and why it is important.
Students will begin to understand the importance of making long-term financial plans.

OBJECTIVES: Identify the four ways of legally becoming wealthy.
Differentiate between NEEDS and WANTS.
Understand that setting money aside is a way of investing in the future.

MATERIALS NEEDED: Chart paper and markers (for teacher) or blackboard and chalk.

INTRODUCTION

- ◆ Greet students and ask:
- ◆ What does it mean to save? (*To save something is to put it away for the future.*)
- ◆ Other than saving, how else can you become wealthy? (*Allow some time for students to brainstorm and share ideas.*)
- ◆ List on Board: Ways to become wealthy. (legally):
 1. Inherit money. (very rare)
 2. Marry a wealthy person. (equally as rare)
 3. Win a big lottery. (12 million to one)
 4. Spend less than you earn. (generate positive cash flow)
- ◆ Tell students that if a 20-year-old wants to raise \$100,000 by age 65, they would need to invest \$1,132 a year, today, assuming a 10% annual return.
- ◆ What does this example tell you about saving for the future? Why is it important to save? Allow time for students to think and share responses.

ACTIVITY

- ◆ Most people save money because they know they will need it in the future. Individuals save for something they NEED or something they WANT.

Needs: *Needs are most important. These are things people must have for survival. For example, some things we need are clothing and medical attention.*

Wants: *Wants are things that we would like but can live without. A new CD player.*

- ◆ Ask students to brainstorm independently and make a list of things they need or want. Allow students 5 minutes. Select a couple of students to share their list.

Exploration:

- ◆ List the following on the board:
 - Jim; who saved \$20 per month beginning at age 12.
 - Joan; who save \$40 per month beginning at age 20.
 - Jason; who saved \$80 per month beginning at age 28.
 - Julie; who saved \$160 per month beginning at age 36.
 - Jared; who saved \$320 per month beginning at age 44.
 - Jasmine; who saved \$640 per month beginning at age 52.

- ◆ Ask students to rank, from highest to lowest, who will have more money by age 60. Allow children to work on this problem for about 5 minutes. You may choose to offer a hint—Do you notice a pattern on how the numbers are increasing? (The student that states that the order will remain the same is correct.)

- ◆ Then write the following on the board:

Answer: Jim will have the largest nest egg. \$194,630.*

Joan will have \$187,252.*

Jason will have \$177,322.*

Julie will have \$162,166.*

Jared will have \$136,452.

Jasmine will have the smallest nest egg: \$89,508.

**These amounts were calculated assuming a 9 percent annual return on their investment. (the annual average for the stock market since 1929) For simplicity sake, taxes were not included. The order remains the same as long as they all have the same return and tax rates.*

Assessment:

- ◆ Ask students if they know what this example proves? What role does time play in building your savings? Explain that TIME is the important factor in building wealth. Sure, Jim might have a tough time coming up with \$20 per month at age 12 but over the long run..it amounts to a great deal of money.
- ◆ Emphasize that saving should be given a high priority, just like paying your bills. Tell students that SAVING is a form of PAYING YOURSELF FIRST. In other words, putting money aside for savings the moment you receive your allowance or immediately after cashing your check from your part-time job. Before spending your money on movies or the latest CD, pay **yourself first**- allot money towards your savings. *Setting aside money is a way of investing in the future.*

Lesson # 2

- TIME NEEDED:** Approximately 45 minutes
- GOALS:** Students will understand how saving money in a bank works.
Students will understand the services provided by banks and credit unions.
- OBJECTIVES:** Identify factors that affect how much money accumulates in savings.
Understand how interest affects savings.
Define and understand FDIC.
- List and understand the various services provided by banks and credit unions.
- MATERIALS NEEDED:** Chart paper and markers (for teacher) or blackboard and chalk.

INTRODUCTION

- Ask students to identify the factors that affect how much money they can accumulate in a savings account. Possible answers:
 1. The dollar amount saved regularly.
 2. The length of time money is saved, for example, five years.
 3. The rate of interest earned on savings, such as 6%.
- Explain to students that saving with a purpose, or saving toward a financial goal, is often the best way to ensure that you **pay yourself first**. Financial goals are either short term or long term. Ask students to explain the difference between a short and long term goal. (*Short term; immediate gratification, for use in the immediate future, Long term; more than a year away..i.e. education, a car, a home.*)
- ◆ What is interest? (Interest is the price paid for the use of someone's savings. It is usually expressed as a percentage, such as 6%. For example, a \$100 at a 6% interest rate would give you a return of \$6 over the course of a year. In exchange for allowing a financial institution to use your money, you will receive interest at regular intervals, often monthly. *Explain how financial institutions invest their deposits in order to produce additional funds for the bank as well as for the account holders in the form of interest. Remind students that their money is safe because FDIC insures all deposits up to \$100,000.*
- ◆ Have you ever gone to a bank and seen a FDIC sign? Do you know what it means? *Explain that bank insurance, or the Federal Deposits Insurance Corporation; the **FDIC**, was introduced into banking after the Great Depression to protect the money*

*of depositors. For example, if a thief breaks into a bank and steals all of the money, an agency of the government – the **FDIC** – will repay every customer for up to \$100,000 of that money they lost.*

ACTIVITY

- ◆ Distribute worksheets.
- ◆ Allow students to brainstorm for 10 minutes about some of their short and long-term goals. Have students list them on their sheet and share it with the rest of the class.

Exploration:

- ◆ Ask students where they save their money. Allow students to name the places people save money. Make a list of their responses.
- ◆ Emphasize that saving money in one's home or in a safety deposit box is not safe and is not profitable. (*We will address other forms of saving during workshop # 4; Investing 101*)
- ◆ Describe the financial institutions available to them.

*A **bank** is a financial institution where people save their money. Banks offer services such as savings accounts, checking accounts and CD's. Banks make money by charging fees for these services. Banks usually pay a slightly higher interest for money stored in a savings account, because they know that they will have the money in their possession for a longer period of time. There are also many different types of savings accounts that are structured to suit customers with different needs. These include money market funds and certificates of deposits (CD's).*

*A **credit union** is just like a bank. However, a credit union is what we call a membership bank because all of the customers actually own the bank. It's like a club that you might have with your friends at school. At a credit union, not everyone knows each other like in a club, that is why we call these individual members, and not friends. At a credit union, you can save money, take money out, borrow money, write checks and much more.*

Assessment:

- ◆ Write these terms on the board- ask students to define each in their own words:
 1. Savings
 2. Bank
 3. Credit Union
 4. FDIC
 5. Interest

Lesson # 3

- TIME NEEDED:** Approximately 45 minutes
- GOALS:** Students will begin to explore how savings accounts and checking accounts work.
- OBJECTIVES:** Explain why it is important to have a savings account.
Identify 4 factors to consider when opening up a savings account.
Understand how a checkbook works.
Understand prior information needed before opening a checking account.
- MATERIALS NEEDED:** Chart paper and markers (for teacher) or blackboard and chalk.

INTRODUCTION

- ◆ Why would it be important to have a savings account (other than to keep your money safe and making your money grow)?
- ◆ Explain to students that having a savings account is important because:
 - (1) *It enables individuals to access credit. Many creditors will not issue credit if one does not have some sort of collateral. i.e. money in a savings account*
 - (2) *Money saved in an account is money readily available to pay bills that need to be paid on a monthly basis.*
- ◆ Explain the difference between traditional savings and checking accounts. Explain how a savings account works. (A savings account is a useful banking tool to keep your money safe and increase its value through interest rates. Interest rates vary among financial institutions.)

Exploration:

- ◆ Create a chart that says Factors to consider when opening a **savings** account on one side, and Factors to consider when opening a **checking** account on the other side.
- ◆ Allow students to brainstorm.
- ◆ Describe the four factors to consider when opening up a savings account at a financial institution:
 - Minimum deposit requirement.
 - Liquidity: how easily you can get your money out.
 - Risk: chance of losing your deposit.
 - Return: interest.

- ◆ Factors to consider for opening a checking account at any financial institution:
 1. The various service fees.
 2. Minimum balance requirements.
 3. Number of checks that can be written in a month.

Assessment:

Ask students to explain how savings accounts and checking accounts work. What factors must you keep in mind?

SUMMARY AND REVIEW

- People save money for things they may need in the future.
- Money can be saved in different places such as a bank or credit union.
- Setting aside money is a way of investing in the future.
- Time is an important factor in building wealth.
- Bank and credit union are financial institutions where people save money.