

OVERVIEW

Do you want to be rich? Who doesn't! But remember: Being wealthy isn't about how much you earn—it's about how much you keep and what you do with it.

Think of your money as a 24-7 "employee"—expecting it to make more money for you while you go about your daily activities. You do that by saving and also investing your money. The sooner you get started, the sooner you start growing your money.

LEARNING OUTCOMES

In this lesson students explore how saving and investing can be used to build wealth. Along the way they will do the following:

- ☒ Make a distinction between saving and investing.
- ☒ Demonstrate how to calculate compound interest.
- ☒ Compare types of savings investments.

Students will use what they learn today to select savings investment options.

PREPARATION

- ☐ Order a Module 4 Student Guide for each student. (The Guide is available online to download.)
- ☐ Preview the lesson, PowerPoint presentation, learning tasks, and Module 4 Student Guide, particularly pages 3-12.
- ☐ Print or download the Student Learning Plan for this lesson so each student has a copy.

WHAT YOU WILL NEED

- ☐ Module 4 Student Guide (pages 3-12)
- ☐ PowerPoint Presentation 4-1
- ☐ Student Learning Plan 4-1
- ☐ Activity 4.1: What is Wealthy?
- ☐ Activity 4.2: My Windfalls
- ☐ Activity 4.3: More Money
- ☐ Challenge 4-A: It Pays to Shop Around
- ☐ (optional) Internet access or savings account informational brochures for Task 5

NOTES:

Approximate time: 45 minutes (minimum) - 90 minutes (with extension activities)

Lesson 4-1: Put Savings to Work

Learning Tasks	Teaching Notes	Materials
<p>1. What does it mean to you to be “wealthy”? Complete Activity 4.1: What is Wealthy to write your definition of “wealth.”</p>	<p>PROCEDURE TIME ESTIMATE: 5 minutes</p> <p><input type="checkbox"/> Read the lesson overview and then ask students to write out their personal definition of “wealth” as they complete Activity 4.1: What is Wealthy? [Slide 2]</p> <p><input type="checkbox"/> If time allows, call for volunteers to explain their definitions and lead a brief discussion about their ideas.</p> <p><input type="checkbox"/> Tell students they will be learning about wealth in this unit and ways to build up their own wealth. Advise students to keep their definitions of wealth because they may be asked to revisit them at a future time.</p> <p>NOTES: Tell the students to hold on to this definition if you want to revisit their definitions later in this lesson or as a “post-assessment” when they have finished their studies on personal finance.</p> <p><input type="checkbox"/> [Slide 3] Preview the Learning Outcomes in the Student Learning Plan. By the end of this lesson, the students should be able to select savings options that fit their current life situation.</p> <p><input type="checkbox"/> [Slide 4, page 3] Introduce Whitney and Justin as the young people featured in the Student Guide. The students will follow Whitney and Justin as they make decisions about their careers and training.</p> <p>EXTENSION: Have them find out how family members or older siblings define “wealth.”</p>	<p>Module 4 Student Guide</p> <p>Student Learning Plan</p> <p>STUDENT GUIDE Pages 3-5</p> <p>SLIDES 2 – What Does it Mean to be Wealthy? 3 – Preview 4 – Meet Whitney and Justin</p> <p>ACTIVITY Activity 4.1: What is Wealthy?</p>
<p>2. What do you know about saving and investing? Identify what it takes to build wealth.</p>	<p>PROCEDURE TIME: 5-10 minutes</p> <p><input type="checkbox"/> For this task arrange for students to work independently or in groups of three. [Slide 5] Kick off a discussion about the difference between “saving” and “investing” by first asking the students to illustrate the differences and similarities using a Venn diagram. Have them draw a Venn diagram on notepaper. Explain how to fill in the diagram by writing details that tell how the savings and investing are different in the outer circles and writing details that tell how they are similar where the circles overlap. Prompt responses by suggesting that the students consider what they know about how and why people save and invest.</p>	<p>STUDENT GUIDE Pages 5-6</p> <p>SLIDES 5 – Save vs. Invest 6-10 – 5 Millionaire Myths 11 – 3 Ways to Build Wealth</p> <p>ACTIVITY Paper for each student group to draw Venn diagram</p>

Lesson 4-1: Put Savings to Work

Learning Tasks	Teaching Notes	Materials
	<p><input type="checkbox"/> [Slide 5] Click on the slide to fill in the gaps as you clarify the difference between saving and investing. Give examples of ways people set money aside to save to use later (Examples: piggy bank, savings account at a bank, under the mattress, in a lock box or safe). Give examples of ways people invest (Examples: savings account that earns interest, buying stocks and bonds, buying a business, buying rental property). Point out that these investing options will be discussed in more detail in a later lesson.</p> <p><input type="checkbox"/> Continue the discussion by pointing out wealth is the result of accumulating assets through saving and investing. [Slides 6-10] Show the 5 Millionaire Myths slides as you respond to student reactions. The slides are set to display the statement for students to respond “true” or “false” before clicking to reveal an explanation.</p> <p><input type="checkbox"/> [Slide 11] Wrap up this discussion by introducing students to the fundamental steps to build wealth. Explain that these strategies will be explored in more detail in the Module 4 lessons. Assure students that it isn’t <i>how much</i> they start with; rather, the point is that they need to <u>get started</u> to save and invest to build wealth.</p>	
<p>3. Analyze your current ability to save and invest.</p> <p>Complete Activity 4.2: My Windfalls to identify examples of your recent “windfalls.”</p>	<p>PROCEDURE TIME: 5 minutes</p> <p><input type="checkbox"/> [Slide 12] Ask the students if they think they have enough money available to save or invest. Most likely they will respond that they don’t earn enough money (if any) or need to use all of their money for their expenses. Ask them to provide examples to create a class list of potential income sources for teens. [Caution: Be prepared to keep the discussion focused on appropriate responses.]</p> <p><input type="checkbox"/> Explore further by asking the students to suggest ways to set aside some of the limited income for savings and investing. This should include examples of reducing spending money on non-essential items, aka “plugging the leaks,” to have some money left over to save and invest.</p> <p>Note: Be sensitive to instances of students who do not have a steady source of income or are responsible for contributing their entire earnings to support their families. This can be an opportunity to revisit concepts discussed in <i>Module 3: Earning Power</i> to reinforce the value of investing in self to gain the skills and experiences to be employable and having a plan to manage in times of low or no income. Rather than pass judgment, provide encouragement for students to creatively (and legally) seek out strategies to boost income.</p>	<p>STUDENT GUIDE Pages 6-7</p> <p>SLIDES 12– Sources of Income for Teens 13 – Windfalls</p> <p>ACTIVITY Activity 4.2: My Windfalls</p> <p>(optional) Internet access to show Spendster video (www.spendster.org)</p>

Lesson 4-1: Put Savings to Work

Learning Tasks	Teaching Notes	Materials
	<p>EXTENSION: This is good opportunity to show one of the Spendster YouTube™ (www.spendster.org) videos to give examples of how people have wasted money that might have been used for saving and/or investing. Debrief after showing the selected video to ask students if they have any similar spending habits.</p> <p><input type="checkbox"/> [Slide 13] Fill in gaps by suggesting ways to put aside money to save or invest. Point out that windfalls are unexpected chunks of money that can be used to kick start or boost savings. Guide students to think about their own recent windfalls as they complete Activity 4.2: My Windfalls. Offer additional examples of windfalls from your personal experiences or recent news events.</p>	
<p>4. Find out how to put your money to work for you with compound interest. Do the math to see how compound interest works.</p> <p>Complete Activity 4.3: More Money to identify ways to “grow” savings.</p>	<p>PROCEDURE TIME: 10 minutes</p> <p><input type="checkbox"/> [Slide 14] Explain that when someone puts money into a savings account at a bank or credit union, that amount is pooled with other savings account funds. Rather than keep all of the saved money stored away, the banks and credit unions loan some of that money to people who need to borrow. As learned in <i>Module 2: Borrowing</i>, the borrowers pay interest to use the borrowed money. Some of that loan interest is then shared with the people who deposited the savings funds. In essence, putting money into an interest-bearing savings account is a way to “put the money to work” because it is earning interest. In contrast, money that is saved in a piggy bank on a dresser won’t earn interest.</p> <p><input type="checkbox"/> Read the story about Whitney’s uncle on page 9 in the student guide. Debrief by pointing out the power of compounding interest as a way to grow savings with little effort. Use Slides 15 and 16 and pages 10-11 to explain how to calculate simple interest and compound interest.</p> <p><input type="checkbox"/> [Slide 17] Guide the students to work independently or with a partner to calculate the ending balance on an account that is earning interest annually over five years. Challenge the students to complete this task using the simple interest formula for each year and without using a financial calculator so they grasp the concept of earning interest on the fund balance plus the previously earned interest. Have them check their work by using the compound interest formula or a financial calculator. Click to show the answers. [Note: The starting balance and interest rate may seem unrealistic for current teen situations, but these figures are used in this practice problem to illustrate the compounding concept.]</p>	<p>STUDENT GUIDE Pages 9-11</p> <p>SLIDES 14 – Savers are Related to Borrowers 15 – Simple Interest 16 – You’re your Money the Compound Interest Way 17 – Watch it Grow</p> <p>ACTIVITY Activity 4.3: More Money</p>

Lesson 4-1: Put Savings to Work

Learning Tasks	Teaching Notes	Materials
	<input type="checkbox"/> Guide the students to consider ways to increase the balance of a savings account as they respond to Activity 4.3: More Money . Ask students to share responses. Responses should include adding more money to the principal amount, seeking a higher rate of interest (APY), or extending the length of time the amount will earn interest.	
5. Explore interest-earning savings options. Which options match your situation and financial goals?	<p>PROCEDURE TIME: 10 minutes</p> <p><input type="checkbox"/> [Slide 18] Have students study the Savings Options chart on page 8 in the Student Guide as they compare types of savings investments. As they study the chart, ask them to answer the following questions:</p> <ul style="list-style-type: none"> ▪ Which options earn interest? ▪ Which tend to earn higher interest rates? ▪ Which accounts allow a depositor to occasionally withdraw funds? ▪ Where can a person open a savings account within a 5-mile radius of this location? [Responses should include local credit unions and banks but not pawn shops or grocery stores.] <p>EXTENSION:</p> <p>Do an Internet search of a local bank or credit union (or distribute informational brochures) to check on the types of savings accounts available, any minimum balance requirements, the current APY, how often interest is calculated (compounded). Recommend that the students keep notes about this information to have on hand as they complete Challenge 4-A.</p>	<p>STUDENT GUIDE Pages 7-8</p> <p>SLIDE 18 – Interest-Earning Savings Options</p> <p>ACTIVITY (optional) Internet access to explore local bank or credit union websites)</p>
6. Complete Challenge 4-A: It Pays to Shop Around . Use the DECIDE steps to select the saving option(s) that seems a good fit for your current situation.	<p>PROCEDURE In- class or out-of-class assignment</p> <p><input type="checkbox"/> [Slide 19] Assign the students to complete Challenge 4-A: It Pays to Shop Around. This Challenge is appropriate to assign with this lesson or after completing Lesson 4-2 or Lesson 4-3.</p> <p><input type="checkbox"/> If necessary, review the DECIDE steps (Appendix, page 40) to guide students through the steps to establish criteria and compare options for their savings needs.</p>	<p>STUDENT GUIDE Page 12</p> <p>SLIDE 19 – Challenge</p> <p>ACTIVITY Challenge 4-A: It Pays to Shop Around</p>

Lesson 4-1: Put Savings to Work

Learning Tasks	Teaching Notes	Materials
REFLECTION: Reflect on your thoughts about wealth.	PROCEDURE In- or out-of-class assignment <input type="checkbox"/> [Slide 20] Guide the students to pick one of the following statements and write a one-paragraph response that explains what it means. <ul style="list-style-type: none"> ▪ <i>Wealth is not what you make—it's what you keep.</i> ▪ <i>Wealth is what you accumulate—not what you make.</i> 	SLIDE 20 - Reflection

**FURTHER STUDY**

Read a book or magazine article to learn more about investing. Search “investment” or “investing” to find resources at your local public library.

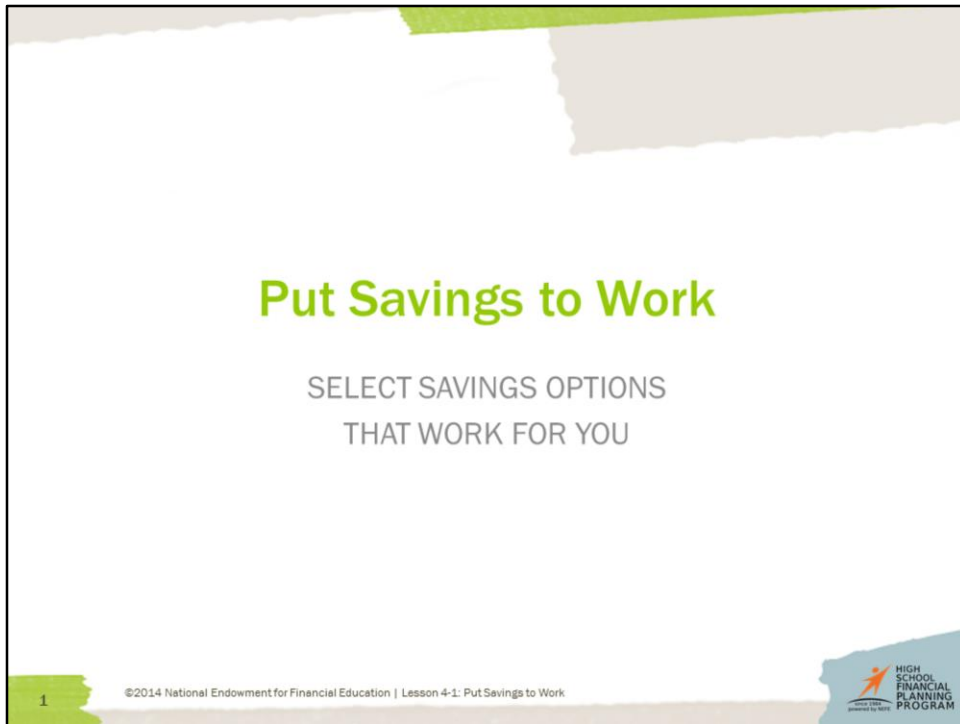
**TAKING IT HOME**

If you are currently employed and have a savings account, arrange to have your paycheck automatically deposited to your savings account to maximize the days your money will earn interest.

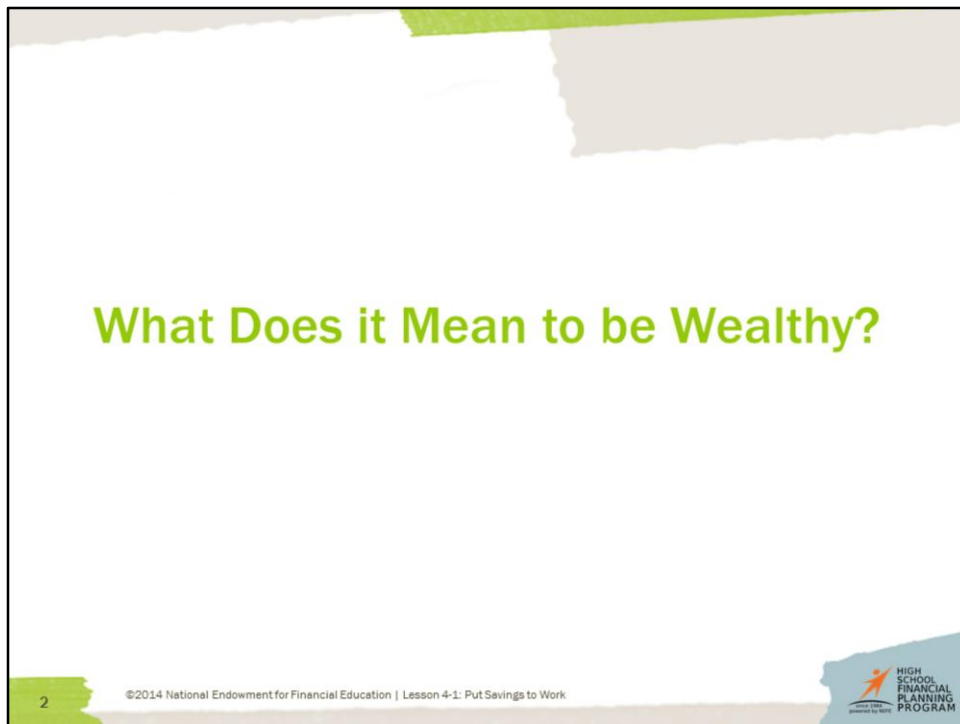
**TAKING IT HOME**

If you don't yet have a savings account, take steps to open the savings account(s) you selected when you completed **Challenge 4-A: It Pays to Shop Around**. Check online for what you need to take with you to open the account, including the minimum amount of cash needed to make your first deposit. Typically, you also need to share your identification, social security number, and proof of where you live.





- ❑ Display this slide as you transition into the lesson.



Study Guide, pages 4-5

- ☐ Read the lesson overview in the Student Learning Plan and then ask students to write out their personal definition of “wealth” as they complete **Activity 4.1: What is Wealthy?**
- ☐ If time allows, call for volunteers to explain their definitions and lead a brief discussion about their ideas.
- ☐ Tell students they will be learning about wealth in this unit and ways to build up their own wealth. Advise students to keep their definitions of wealth because they may be asked to revisit them at a future time.

NOTES: Tell the students to hold on to this definition if you want to revisit their definitions later in this lesson or as a “post-assessment” when they have finished their studies on personal finance.

Preview

Today we will answer these questions:

- What is the difference between saving and investing?
- What does it mean to “grow my money”?
- How do I get started with investing now?

Use what you learn today to
select savings investment options.

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LEARNING TO WORK

- ❑ Preview the Learning Outcomes in the Student Learning Plan. By the end of this lesson, the students should be able to select savings options that fit their current life situation.


Meet Whitney and Justin

Whitney– senior

- Works part-time
- Spends most of her money on clothes and going out with friends
- Doesn't stick to her savings plan

Justin– 8th grader

- Earns money from occasional odd jobs in neighborhood
- Father was recently laid off from job
- Is saving money for college



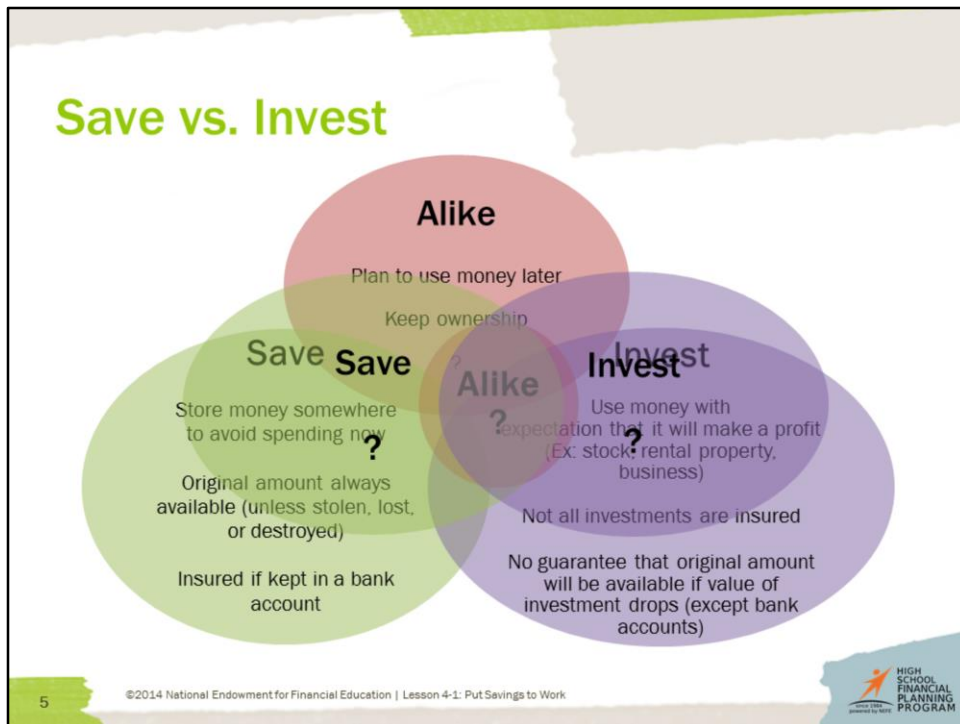
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Put Savings to Work

Student Guide, page 3

- ❑ Introduce Whitney and Justin as the young people featured in the Student Guide. The students will follow Whitney and Justin as they make decisions about their careers and training.



Student Guide, page 6

- ❑ For this task arrange for students to work independently or in groups of three. Kick off a discussion about the difference between “saving” and “investing” by first asking the students to illustrate the differences and similarities using a Venn diagram. Have them draw a Venn diagram on notepaper. Explain how to fill in the diagram by writing details that tell how the savings and investing are different in the outer circles and writing details that tell how they are similar where the circles overlap. Prompt responses by suggesting that the students consider what they know about how and why people save and invest.
- ❑ Click on the slide to fill in the gaps as you clarify the difference between saving and investing. Give examples of ways people set money aside to save to use later (Examples: piggy bank, savings account at a bank, under the mattress, in a lock box or safe). Give examples of ways people invest (Examples: savings account that earns interest, buying stocks and bonds, buying a business, buying rental property). Point out that these investing options will be discussed in more detail in a later lesson.

Millionaire Myth #1 – True or False?

Millionaires usually work in sports, entertainment or lead gigantic Fortune 500 companies.

- ▶▶ Athletes and entertainers are notorious for squandering their money until they're broke. Actually, half of all millionaires are self-employed or own a business.

Source: Thomas J. Stanley, Ph.D. and William D. Danko, Ph.D.
The Millionaire Next Door: The Surprising Secrets of America's Wealthy, 1996

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- ❑ Continue the discussion by pointing out wealth is the result of accumulating assets through saving and investing.
- ❑ [Slides 6-10] Show the 5 Millionaire Myths slides as you respond to student reactions. The slides are set to display the statement for students to respond “true” or “false” before clicking to reveal an explanation.

Millionaire Myth #2 – True or False?

Millionaires made their fortunes the easy way—
inheriting it.

- ▶▶ Only 20 percent of millionaires inherited part of their money. And half of those inherited less than 10 percent of their assets.¹
- ▶▶ In fact, 76 percent of millionaires said “smart investing” is one of the top three factors contributing to their financial success. The other two critical elements are hard work and education.²

¹Thomas J. Stanley, Ph.D. and William D. Danko, Ph.D.
The Millionaire Next Door: The Surprising Secrets of America's Wealthy, 1996

²Spectrem Group, 2012 Affluent Market Insight
www.millionairecorner.com/article/smart-investing

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- ❑ [Slides 6-10] Show the 5 Millionaire Myths slides as you respond to student reactions. The slides are set to display the statement for students to respond “true” or “false” before clicking to reveal an explanation.

Millionaire Myth #3 – True or False?

Millionaires spend a lot of time managing their finances and trading stocks.

- ▶▶ Most spend less than six minutes per day on finances.¹ They're too busy making more money to invest! And they invest for the long-term. About 75 percent buy and hold stocks more than five years. Nearly 40 percent hold them 10 years or more.²

¹Ric Edelman, *Ordinary People, Extraordinary Wealth: The 8 Secrets of How 5,000 Ordinary Americans Became Successful Investors—and How You Can Too*, 2000

²Chuck Carlson, *8 Steps to 7 Figures: The Investment Strategies of Everyday Millionaires and How You Can Become Wealthy Too*, 2001

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- [Slides 6-10] Show the 5 Millionaire Myths slides as you respond to student reactions. The slides are set to display the statement for students to respond “true” or “false” before clicking to reveal an explanation.

Millionaire Myth #4 – True or False?

Millionaires spend tons of money on cars, boats, and other luxury items.

- ▶▶ Wealth is not what you make—it's what you keep. True millionaires focus on acquiring assets that will make them money, such as real estate, investments, and their businesses. That's why so many drive Fords and Toyotas.

Source: Thomas J. Stanley, Ph.D. and William D. Danko, Ph.D.
The Millionaire Next Door: The Surprising Secrets of America's Wealthy, 1996

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- ❑ [Slides 6-10] Show the 5 Millionaire Myths slides as you respond to student reactions. The slides are set to display the statement for students to respond “true” or “false” before clicking to reveal an explanation.

Millionaire Myth #5 – True or False?

Millionaires never have to worry about having enough money.

- ▶▶ Nearly 42 percent of millionaires still don't feel wealthy. They say they'd need investing assets of \$7.5 million to feel truly wealthy and stop worrying. The more you have, the more you seem to need to feel financially secure.

Source: Fidelity, *Millionaire Outlook*, March 2011
www.fidelity.com/inside-fidelity/individual-investing/millionaire-outlook-2011

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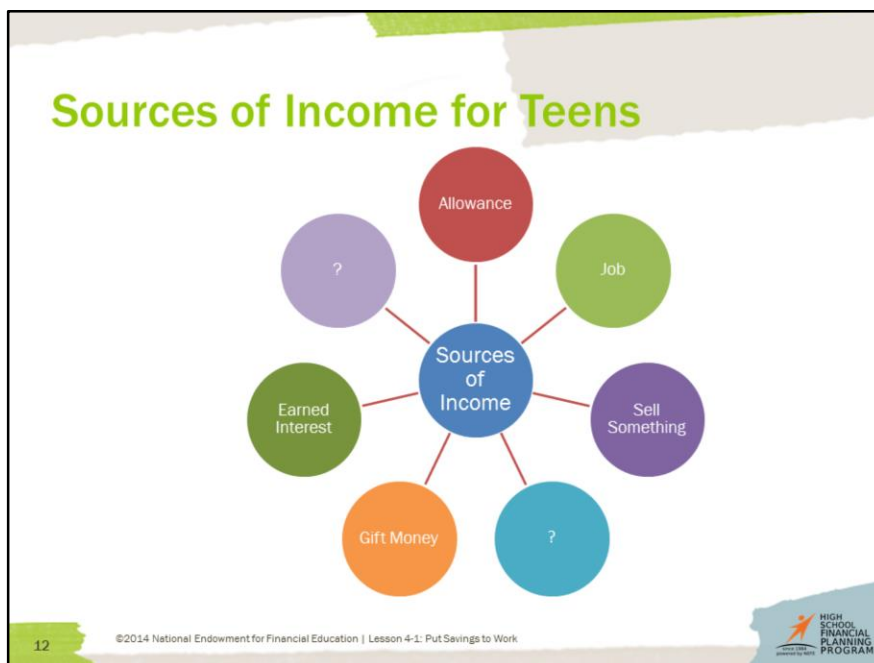
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- ❑ [Slides 6-10] Show the 5 Millionaire Myths slides as you respond to student reactions. The slides are set to display the statement for students to respond “true” or “false” before clicking to reveal an explanation.



- ❑ Wrap up this discussion by introducing students to the fundamental steps to build wealth. Explain that these strategies will be explored in more detail in the Module 4 lessons.
- ❑ Assure students that it isn't *how much* they start with; rather, the point is that they need to get started to save and invest to build wealth.



- ❑ Ask the students if they think they have enough money available to save or invest. Most likely they will respond that they don't earn enough money (if any) or need to use all of their money for their expenses. Ask them to provide examples to create a class list of potential income sources for teens. [Caution: Be prepared to keep the discussion focused on appropriate responses.]
- ❑ Explore further by asking the students to suggest ways to set aside some of the limited income for savings and investing. This should include examples of reducing spending money on non-essential items, aka "plugging the leaks," to have some money left over to save and invest.

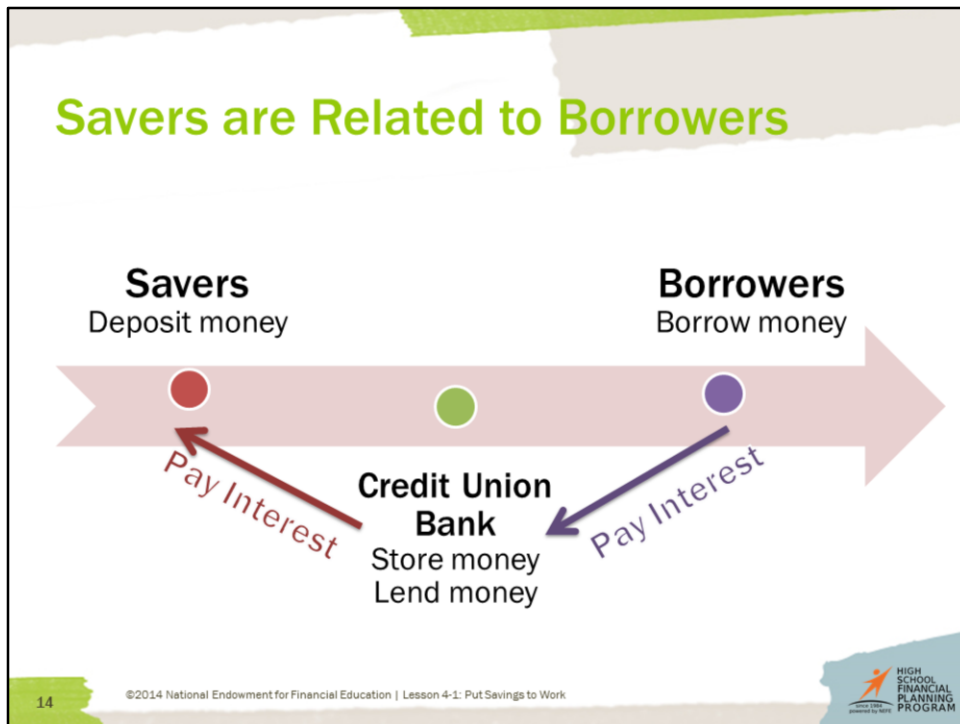
Note: Be sensitive to instances of students who do not have a steady source of income or are responsible for contributing their entire earnings to support their families. This can be an opportunity to revisit concepts discussed in *Module 3: Earning Power* to reinforce the value of investing in self to gain the skills and experiences to be employable and having a plan to manage in times of low or no income. Rather than pass judgment, provide encouragement for students to creatively (and legally) seek out strategies to boost income.

EXTENSION: This is good opportunity to show one of the Spendster YouTube™ (www.spendster.org) videos to give examples of how people have wasted money that might have been used for saving and/or investing. Debrief after showing the selected video to ask students if they have any similar spending habits.



Student Guide, pages 6-7

- ❑ Fill in gaps by suggesting ways to put aside money to save or invest. Point out that windfalls are unexpected chunks of money that can be used to kick start or boost savings. Guide students to think about their own recent windfalls as they complete **Activity 4.2: My Windfalls**. Offer additional examples of windfalls from your personal experiences or recent news events.



Student Guide, page 7

- Explain that when someone puts money into a savings account at a bank or credit union, that amount is pooled with other savings account funds. Rather than keep all of the saved money stored away, the banks and credit unions loan some of that money to people who need to borrow. As learned in *Module 2: Borrowing*, the borrowers pay interest to use the borrowed money. Some of that loan interest is then shared with the people who deposited the savings funds. In essence, putting money into an interest-bearing savings account is a way to “put the money to work” because it is earning interest. In contrast, money that is saved in a piggy bank on a dresser won’t earn interest.

Simple Interest

Simple Interest Rate Formula:
 $I = P \times R \times T$ where

I = interest
 P = principal (the original invested amount)
 R = interest rate (decimal number)
 T = time (number of years)

Example:

\$2.75	=	\$500	x	.0055	x	1
interest		principal		rate		time

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Put Savings to Work

Student Guide, pages 9-11

- ☐ Read the story about Whitney's uncle on page 9 in the student guide. Debrief by pointing out the power of compounding interest as a way to grow savings with little effort.
- ☐ Use Slides 15 and 16 and pages 10-11 to explain how to calculate simple interest and compound interest.

Grow Your Money the Compound Interest Way

Compound Interest Formula:
$$A = P (1 + r/n)^{nt}$$

A = final amount including interest after *t* years
P = principal (original invested amount)
r = annual interest rate (decimal number)
n = number of times interest is compounded each year
t = number of years the amount is invested

Example:

$$\underset{\text{final amount}}{\$512.66} = \underset{\text{principal}}{\$500} (1 + \underset{\text{rate}}{.025} / \underset{\text{how often compounded}}{365})^{\underset{\text{year}}{1} \times \underset{\text{year}}{1}}$$

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AMERICA'S FUTURE
AMERICA'S BEST

Student Guide, page 11

- ❑ Use page 11 to explain how to calculate compound interest.

Watch it Grow

Let's say you have \$1,000 saved in an account that earns 3 percent interest once a year.

What is the balance and the compounded interest earned each year over five years?

The Mighty Power of Compounding		
Year	Interest Earned	Ending Balance
Beginning		\$1,000.00
1	?	?
2	?	?
3	?	?
4	?	?
5	?	?

Without any physical effort on your part,
your money has “worked” to earn you how much interest?

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Student Guide, pages 10-11

- ❑ Guide the students to work independently or with a partner to calculate the ending balance on an account that is earning interest annually over five years. Challenge the students to complete this task using the simple interest formula for each year and without using a financial calculator so they grasp the concept of earning interest on the fund balance plus the previously earned interest. Have them check their work by using the compound interest formula or a financial calculator. Click to show the answers. [Note: The starting balance and interest rate may seem unrealistic for current teen situations, but these figures are used in this practice problem to illustrate the compounding concept.]

- ❑ Guide the students to consider ways to increase the balance of a savings account as they respond to **Activity 4.3: More Money**. Ask students to share responses. Responses should include adding more money to the principal amount, seeking a higher rate of interest (APY), or extending the length of time the amount will earn interest.

Interest-Earning Savings Options

Bank or Credit Union

- Savings Account
- Money Market Deposit Account (MMDA)
- Certificate of Deposit (CD)

www.treasurydirect.gov

- U.S. Savings Bond



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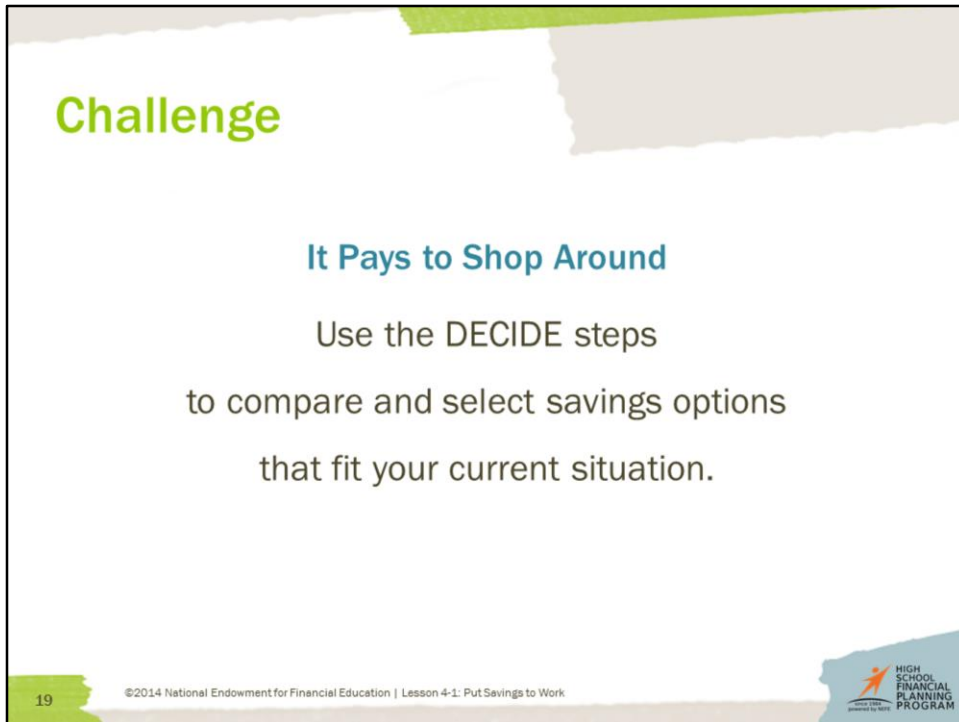
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Student Guide, page 8

- ❑ Have students study the Savings Options chart on page 8 as they compare types of savings investments. As they study the chart, ask them to answer the following questions:
- Which options earn interest?
 - Which tend to earn higher interest rates?
 - Which accounts allow a depositor to occasionally withdraw funds?
 - Where can a person open a savings account within a 5-mile radius of this location? [Responses should include local credit unions and banks but not pawn shops or grocery stores.]

EXTENSION: Do an Internet search of a local bank or credit union (or distribute informational brochures) to check on the types of savings accounts available, any minimum balance requirements, the current APY, how often interest is calculated (compounded). Recommend that the students keep notes about this information to have on hand as they complete **Challenge 4-A: It Pays to Shop Around**.



Challenge

It Pays to Shop Around

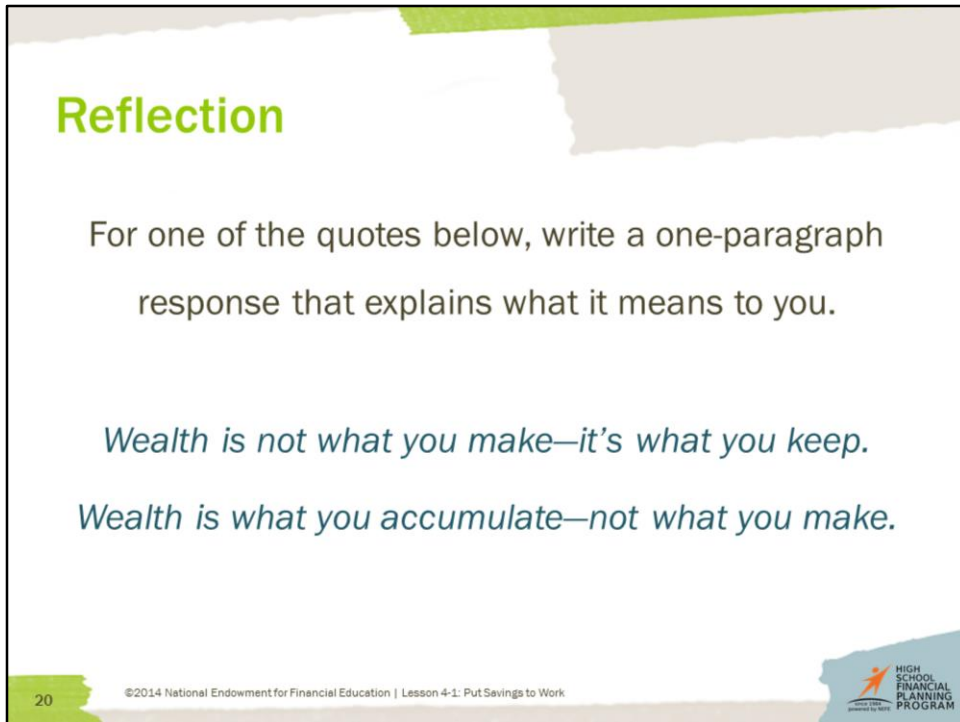
Use the DECIDE steps
to compare and select savings options
that fit your current situation.

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Put Savings to Work

- ❑ Assign the students to complete **Challenge 4-A: It Pays to Shop Around**. This Challenge is appropriate to assign with this lesson or after completing Lesson 4-2 or Lesson 4-3.
- ❑ If necessary, review the DECIDE steps (Appendix, page 40) to guide students through the steps to establish criteria and compare options for their savings needs.



Reflection

For one of the quotes below, write a one-paragraph response that explains what it means to you.

Wealth is not what you make—it's what you keep.

Wealth is what you accumulate—not what you make.

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ADVANCE YOUR KNOWLEDGE

- ❑ Guide students to pick one of the following statements and write a one-paragraph response that explains what it means.
 - *Wealth is not what you make—it's what you keep.*
 - *Wealth is what you accumulate—not what you make.*



OVERVIEW

Do you want to be rich? Who doesn't! But remember: Being wealthy isn't about how much you earn—it's about how much you keep and what you do with it.

Think of your money as a 24-7 "employee"—expecting it to make more money for you while you go about your daily activities. You do that by saving and also investing your money. The sooner you get started, the sooner you start growing your money.

LEARNING OUTCOMES

In this lesson you will explore how saving and investing can be used to build wealth. Along the way you will do the following:

- ☒ Make a distinction between saving and investing.
- ☒ Demonstrate how to calculate compound interest.
- ☒ Compare types of savings investments.

Use what you learn today to select savings investment options.

LEARNING TASKS

These tasks match pages 3-12 in Student Guide 4.

— 1.	What does it mean to you to be "wealthy"? Complete Activity 4.1: What is Wealthy to write your own definition of "wealth."
— 2.	What do you know about saving and investing? Identify what it takes to build wealth.
— 3.	Analyze your current ability to save and invest. Complete Activity 4.2: My Windfalls to identify examples of your recent "windfalls."
— 4.	Find out how to put your money to work for you with compound interest. Do the math to see how compound interest works. Complete Activity 4.3: More Money to identify ways to "grow" savings.
— 5.	Explore interest-earning savings options. Which options match your situation and financial goals?
— 6.	Complete Challenge 4-A: It Pays to Shop Around . Use the DECIDE steps to select the saving option(s) that seems a good fit for your current situation.



FURTHER STUDY

Read a book or magazine article to learn more about investing. Search "investment" or "investing" to find resources at your local public library.



TAKING IT HOME

If you are currently employed and have a savings account, arrange to have your paycheck automatically deposited to your savings account to maximize the days your money will earn interest.



TAKING IT HOME

If you don't yet have a savings account, take steps to open the savings account(s) you selected when you completed **Challenge 4-A: It Pays to Shop Around**.

Check online for what you need to take with you to open the account, including the minimum amount of cash needed to make your first deposit. Typically, you also need to share your identification, social security number, and proof of where you live.

Activity 4.1: What is Wealthy?

NAME:

DATE:

Directions:

In 25 words or less, define what it means to you to be wealthy.

Activity 4.2: My Windfalls

NAME:

DATE:

Directions:

Have you received any unexpected increases in cash during the past year?

Check any of the examples below that were windfalls for you:

- ☐ Gift money
- ☐ Found money
- ☐ Increase in allowance
- ☐ Increase in pay
- ☐ Tip Money
- ☐ Bonus
- ☐ Scholarship or grant
- ☐ Inheritance
- ☐ Other: _____

The next time you have a windfall, decide how much you'll sock away before indulging yourself. You also may need to set aside enough money to pay income taxes on your windfall.

Activity 4.3: More Money

NAME:

DATE:

Scenario:

Justin's dad suggests putting the \$500 into a CD that earns more interest, more often. Their credit union currently offers 2.5 percent APY on a 12-month CD, and interest is compounded daily.

Justin uses the compound interest formula to see the difference it makes to have his money earn interest at a higher rate every day rather than just once a year. He discovers that he will have almost \$513 after one year if he goes with the CD option.

Directions:

Justin can increase his savings by compounding interest more often. What are at least two other ways he can grow his savings?

Activity 4.3: More Money

NAME: **KEY**

DATE:

Scenario:

Justin's dad suggests putting the \$500 into a CD that earns more interest, more often. Their credit union currently offers 2.5 percent APY on a 12-month CD, and interest is compounded daily.

Justin uses the compound interest formula to see the difference it makes to have his money earn interest at a higher rate every day rather than just once a year. He discovers that he will have almost \$513 after one year if he goes with the CD option.

Directions:

Justin can increase his savings by compounding interest more often. What are at least two other ways he can grow his savings?

Suggested responses:

- To generate additional interest, Jason can increase the balance of his interest-bearing accounts by occasionally depositing additional lump sums or establishing a routine to “pay himself first” by making regular deposits to his savings.
- He can also comparison shop to find out where he can get a higher APR on his savings. Ideally, he should seek returns that exceed the rate of inflation (reference, page 13).
- The longer Jason leaves his money in an interest-bearing account, the more interest he will earn.

Challenge 4-A: It Pays to Shop Around

NAME:

DATE:

As you work through the lessons and activities in NEFE's High School Financial Planning Program, you will complete challenge activities that can be compiled into a personal financial planning portfolio. For this challenge task, use what you have learned in **Lesson 4-1: Put Savings to Work** to assess the saving option(s) that might be best for your current and near future situation.

Directions:

- ☐ 1. Go online to compare options for saving your money. Gather information from two to three different banks and credit unions. Find out the following about savings accounts, money market accounts, and CDs at one or two banks or credit unions:
 - any minimum balance requirements
 - current APY
 - compounding
 - interest frequency
- ☐ 2. Use the chart below or create a separate document to summarize your decision-making process. Review the six DECIDE action steps to guide your work as you select the best option for your (or your family's) criteria. Take into consideration your current circumstances and values.
- ☐ 3. Self-assess your work using the Scoring Guide. Optional: Ask a classmate or family member to peer assess your work using the Scoring Guide.

	DECIDE Steps	My Situation		
1	Define your goal.			
2	Establish your criteria.			
3	Choose three good options.			
4	Identify the pros and cons of the options. Calculate costs for each option.			
5	Decide what's best.			
6	Evaluate the results.			

Challenge 4-A: It Pays to Shop Around

NAME: _____

DATE: _____

Required Criteria		Status		
Content				
1.	In one sentence you state what you want to achieve as a result of the decision-making process.	acceptable	not acceptable	
2.	Outcome involves a decision about at least one type of savings account.	acceptable	not acceptable	
3.	You justify how the decision and outcome relates to your current circumstances and values.	acceptable	not acceptable	
4.	Summary lists at least three criteria for an acceptable outcome, including the features you absolutely must have as well as features you would like to have or will not accept.	acceptable	not acceptable	
Option Status Rating Key: "A" = Acceptable / "NA" = Not Acceptable		Option A	Option B	Option C
5.	Summary includes details about three possible options, including specific balance requirements, APY, and compound frequency.			
6.	You devise a way to illustrate how well each option matches your criteria.			
7.	You point out the solution that you have chosen.	acceptable	not acceptable	
8.	You justify why the chosen option was selected.	acceptable	not acceptable	
9.	Your choice is logical based on the known circumstances, stated criteria, and potential to achieve the desired outcome.	acceptable	not acceptable	
10.	You summarize what you do and don't like about your choice and justify any modifications that were made in the purpose, criteria, or solutions.	acceptable	not acceptable	
General				
11.	Content is clearly stated with distinct detail.	acceptable	not acceptable	
12.	Documentation is neat and easy to read.	acceptable	not acceptable	
13.	Calculations are accurate.	acceptable	not acceptable	
14.	Information about each option is accurate or can be verified.	acceptable	not acceptable	

Feedback: _____

Score: _____ / _____