

LESSON FIVE

Duration: 45 Minutes

Prerequisite: Module 5 - Future Planning

Future Planning

Objectives

1. Understand that savings accounts can be useful in reaching financial goals
2. Identify the difference between simple and compound interest-earning accounts
3. Determine which savings vehicles are best used for savings goals

Materials

- Pencils
- Savings & Investing Worksheet
- Calculators

Notes (differentiation, student groupings, additional questions, etc.):

SECTION	DESCRIPTION	STRUCTURE	DURATION
Opening	<p><i>Discuss the learning from module 5:</i></p> <ul style="list-style-type: none"> • How is it similar saving for the latest smartphone versus saving for an emergency? • Both involve a goal • Both require a plan which could include <ul style="list-style-type: none"> » A place to put the savings » Schedule on how much to save and when or just whenever you get extra money 	<p>Discuss with a partner</p> <p>Share out with the class</p>	2 mins

SECTION	DESCRIPTION	STRUCTURE	DURATION
<p>Prior Knowledge Connection</p>	<ul style="list-style-type: none"> • What are the differences between a savings account, certificate of deposit, and stocks? <ul style="list-style-type: none"> » Note: Write the following bullets on a dry erase board/chalkboard. » Savings account - safe, low-interest rate, easy to get money » Certificate of Deposit - safe, medium interest rate, locked into a set period of time » Bonds - safe, medium interest rate, time-bound » Stocks - risky, high-interest rate, can lose money • What's the difference between simple and compound interest? <ul style="list-style-type: none"> » Simple interest is money added as a percentage of the initial amount you put in or the principal. » Compound interest is money added as a percentage of the initial amount plus the interest you've already earned. • How can you use this information to your advantage? <ul style="list-style-type: none"> » Investing and saving money in an appropriate account can make you reach your financial goals faster. 	<p>Discuss as a class</p>	<p>5 mins</p>
<p>Activity</p>	<p>"Today, you're going to be reading about different people with different goals. You're going to work in small groups to read the scenario and the chart to see what the best choice is for each person. Pay attention to their goals, how long they are saving, and their risk tolerance. Risk tolerance is how willing they are to risk losing their money. And stocks can be risky in the short-term."</p> <p>Note: The starting balance is the same for each account (\$100, \$200, \$300, \$400) and the amounts within the chart represent account balances at the end of 1, 5, 10, 20, and 40 years. The charts assume that no additional deposits are made over time.</p> <p>You can also have each group present one scenario before the discussion if time allows.</p>	<p>Discuss in small groups and then as a class.</p>	<p>25 mins</p>
<p>Discussion</p>	<p><i>Discuss learning from the presentations:</i></p> <p>Let's take a look at our charts.</p> <ul style="list-style-type: none"> • What do you notice about the balances of each account overtime? • When might you use a savings account over a certificate of deposit? A bond over a stock? 	<p>Discuss as a class</p>	<p>5 mins</p>

SECTION	DESCRIPTION	STRUCTURE	DURATION
Closing	"Today we learned that we can use savings and investing to grow our money over time. We learned the difference between stocks, bonds, certificates of deposit, and savings accounts. We also discussed when it's best to use each account in order to reach our financial goals. Great work!"	Formalize learning with the whole group	1 min
Evaluation	<p><i>Exit Ticket:</i></p> <p>Think about something you want to save for:</p> <ul style="list-style-type: none"> • What are you saving for? • When do you plan to buy it? • How much does it cost? • Which account do you think will be best to meet your goal? Why? 	Assess individually	4 mins

**The following website was used for calculations seen in the charts.*

<https://www.bankrate.com/calculators/savings/simple-savings-calculator.aspx>*

Learners needing support:

Learners ready for extensions:

Notes for next time:

Saving & Investing Worksheet

Name: _____

Date: _____

Instructions: Analyze the charts below to complete the following word problems. Be sure to show your work.

1. Brian is saving for a new video game that comes out next year. He wants to have easy access to his money when it's time to buy the video game and doesn't want to risk losing any of his money.

Which account should Brian deposit his money into and why?

Starting Balance: \$100	Savings Account <i>.08% Interest/year</i>	Certificate of Deposit <i>1.5% Interest/year</i>	Bond <i>6% return/year</i>	Stock <i>6% return/year</i>
1 Year	\$100.80	\$116.80	\$179.08	\$259.37
5 Year	\$104	\$180.25	\$495.40	\$896.85
10 Year	\$108	\$260.50	\$890.80	\$1,693.70
20 Year	\$116	\$421	\$1,681.90	\$3,287.40
40 Year	\$132	\$842	\$3,163.20	\$6,474.80

Use this space to show your work.

2. Victoria dreams of one day taking a year-long vacation around the world. She doesn't plan on taking this trip for a very long time but wants to start saving now. Since she won't be taking the trip for quite a while, she can afford to lose some of her savings as long as there is time to gain them back.

Which account should Victoria deposit her money into and why?

Starting Balance: \$200	Savings Account <i>.08% Interest/year</i>	Certificate of Deposit <i>1.5% Interest/year</i>	Bond <i>6% return/year</i>	Stock <i>6% return/year</i>
1 Year	\$201.61	\$232.11	\$358.17	\$518.75
5 Year	\$208.05	\$360.55	\$990.85	\$1,793.75
10 Year	\$216.10	\$521.10	\$1,781.70	\$3,3875.50
20 Year	\$232.20	\$842.20	\$3,363.40	\$6,575
40 Year	\$264.40	\$1,484.40	\$6,526.80	\$12,950

Use this space to show your work.

3. Ahmal is saving up to buy a new bike. He thinks the bike he has now will last for at least one more year, then it will be time to buy the new bike. He wants to earn the highest interest rate possible, but he can't afford to lose any of his money since he wants to buy the new bike next year.

Which account should Ahmal deposit his money into and why?

Starting Balance: \$300	Savings Account <i>.08% Interest/year</i>	Certificate of Deposit <i>1.5% Interest/year</i>	Bond <i>6% return/year</i>	Stock <i>6% return/year</i>
1 Year	\$302.41	\$348.16	\$537.25	\$778.12
5 Year	\$312.05	\$540.80	\$1,486.25	\$2,690.60
10 Year	\$324.10	\$781.60	\$2,672.50	\$5,081.20
20 Year	\$348.20	\$1,263.20	\$5,045	\$9,862.40
40 Year	\$396.40	\$3,126.40	\$10,090	\$19,424.80

Use this space to show your work.

Empty dotted box for showing work.

- 4. María wants to begin saving for emergencies. She will not need access to her money for at least one year but she is not willing to take any risks with losing her money.

Which account should she deposit her money into and why?

Starting Balance: \$400	Savings Account <i>.08% Interest/year</i>	Certificate of Deposit <i>1.5% Interest/year</i>	Bond <i>6% return/year</i>	Stock <i>6% return/year</i>
1 Year	\$403.21	\$464.22	\$716.34	\$1,037.50
5 Year	\$416.05	\$721.10	\$1,981.70	\$3,587.50
10 Year	\$432.10	\$1,042.20	\$3,563.40	\$6,775
20 Year	\$464.20	\$1,684.40	\$6,726.80	\$13,150
40 Year	\$528.40	\$2,968.80	13,053	\$25,900

Use this space to show your work.

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**The numbers in the charts above are to be used for educational purposes only.*