Saving

Lesson 2: Teacher's Guide | Hall of Fame: Ages 18+

FINANCIAL FOOTBALL

Get a Game Plan for Saving

Savings are essential for building wealth and reaching financial goals. This 45-minute module builds students' saving awareness and skills.

Getting Your Class Game-Ready: A touchdown in football is often the most dramatic moment of the game: when a player reaches the end zone in the final seconds, the crowd goes wild. While these exhilarating game-day feats tend to become our focus, those moments are the result of countless hours spent practicing and honing skills. The most successful players on the field are often the most disciplined. They have established good training habits on and off the field and are focused on learning how to maximize their performance.

Financial fitness is very similar. We often focus on the exciting big moments, like buying our first car or moving out on our own. Yet those moments would not be possible without building habits to save money. Just like athletes learn the strategies that work best for them on the field through practice, we can each identify strategies and tools that build our ability to save and reach our financial goals.

Module Level: Hall of Fame, Ages 18+

Time Outline: 45 minutes total

Subjects: Economics, Math, Finance, Consumer Sciences, Life Skills

Materials: Facilitators may print and photocopy handouts and quizzes, and direct students to the online resources below.

- **Pre- and Post-Test questions:** Use this short grouping of questions as a quick, formative assessment for the Savings module or as a Pre- and Post-Test at the beginning and completion of the entire module series.
- **Practical Money Skills savings resources:** practicalmoneyskills.com/ff23
- **SMART Savings Goals handout:** Students will examine goal-setting criteria, then set some of their own.
- **Savings Best-Case Scenario handout:** Students will play with a partner or small group to identify the savings options for each situation.

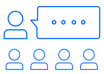
Overview, cont.

- **The Magic of Compound Interest handout:** Help students find the magic of compound interest with some simple calculations.
- **Glossary of Terms:** They’ll learn basic financial concepts with this list of terms.

Icon Key

Activity

Assign the given activity to students and have them complete it individually or with a group, depending on the instructions.



Ask

Pose questions to your students and have them respond.

Assign

Designate individuals or groups to complete a particular assignment.

Debrief

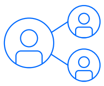
Examine the activities as a whole group and compare answers and findings.

Did You Know?

Share these fun facts with students throughout the lesson.

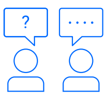
Pre- and Post-Test

Have students take the Pre-Test before the lesson, and take the Post-Test after completing the lesson.



Share

Read or paraphrase the lesson content to students.



Turn and Talk

Have students turn to a partner and discuss a specific topic or question.

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Learning Objectives

– Set personal goals for saving
– Explore the benefits of interest and how saving money makes money
– Identify the different types of savings accounts and options
– Discover financial tools and strategies to build savings

Key Terms and Concepts

Before you start the lesson, review the key terms and concepts below. The answers to each question will help you get students prepped and game-ready. Get deeper information around these concepts in the Facilitator Script section on pages 7 to 11 of this guide.

Why save money?

Throughout your life, you will be faced with many decisions about saving and spending. Your goals can vary from smaller purchases, such as a new smartphone or pair of shoes, to larger purchases, such as a car or a house, to long-term savings for starting your own business or retirement. There are some life events that you can plan and save for, like higher education or starting a family, but it's impossible to foresee all unplanned expenses. That's what makes saving important — so you'll be prepared for any type of expense by having money set aside.

How much should you save?

Saving is essential for building your long-term wealth, and it is important to save early in life and often. Regardless of your age, you should save a percentage every time you receive money, whether it's from a paycheck or a monetary gift. The everyday decisions you make about money can have a lifelong impact. Saving allows you the freedom and flexibility to fulfill your goals and helps you develop good personal finance habits. Pay yourself first. Determine a set amount of money to put away every month and treat it like any other bill. Put away part of every paycheck — ideally a minimum of least 10% — and watch your savings grow.

What are the best strategies for saving money?

- Create a budget and stick to it
- Pay yourself first
- Save your raises
- Save your windfalls, such as birthday money or tax refunds
- Keep emergency savings liquid (easily accessible)
- Set financial goals to keep yourself on track
- Consider your options to grow your money

Key Terms and Concepts, cont.

Do you need a savings account to save?

Choosing the right savings method is dependent on a few factors: how much money you hope to save, how accessible you need the funds to be and when you'll want to withdraw them. Having a savings account with a financial institution offers a variety of advantages over saving in a shoebox, under the mattress, or in a general checking account.

What are the benefits to having a savings account?

A savings account offers the benefits of security, convenience, potential to earn interest, and peace of mind.

What types of savings accounts are there? How do I choose between them?

There are many categories of savings accounts to choose from. You can use one savings account or multiple ones to organize your money for various purposes.

- Basic bank savings account — A savings account where you can deposit and store cash securely while earning interest on your money.
- Money market account — This type of account has many of the same characteristics of a traditional savings account, but also adds a safe, conservative element of investment.
- Online savings account — This type of account is available online only and might have a higher interest rate than one available through a brick-and-mortar financial institution.
- Credit union — For this type of "share account", it is essential to obtain membership to the credit union. You'll also have access to their other services.
- Automatic savings plan — With this plan, you can automatically deposit funds to your savings account on a scheduled time, such as when a biweekly paycheck is deposited directly into your account.

How do retirement accounts differ from savings accounts?

If you are able to leave your money alone for a longer period of time, from several months to years, investments and retirement plans can allow you to earn greater amounts of interest. Unlike with regular bank accounts, if you want to withdraw money, you may face a steep penalty.

How does interest work?

The difference between saving money in a jar at home and in a savings account at a bank is how your principal (your money) grows. At home, your money grows only when you add (deposit) more money (principal) to the jar. In a savings account, your money grows not only when you deposit more money but also by accumulating interest. Interest is money the bank pays you for leaving it in your savings account. It's as if you are loaning the bank your money. You give them your money to hold. They pay you interest so your money grows. They are able to use your money to fund loans and investments for other people. The interest rate is the percentage amount of your principal that the bank agrees to pay into your account. An interest rate is often referred to as an APR, or annual percentage rate.

Module Section Outline with Facilitator Script

Introduction: Warm-Up

Share: Explain to students that the security an emergency fund provides is an important reason to save. Reinforce that creating positive savings habits can help them reach their goals and be ready for the unexpected.

Optional Pre-Test: Have the class turn to page 5 of their Student Activity guide.

Did You Know?

Ask half the room to stand. Tell the group that more than half of Americans (40%) do not have enough cash to cover a $400 emergency.[1]

Savings Basics and SMART Goals

Share: Explain to your students that saving is essential to building your long-term wealth, and it is important to save early in life and often. Regardless of your age, you should save a percentage every time you receive money, whether it's from a paycheck or a monetary gift. The everyday decisions you make about money can have a lifelong impact. Saving allows you the freedom and flexibility to fulfill your goals and helps you develop good personal finance habits.

Group poll: One of the most common questions about savings is how much you should save. What is the recommended percentage of each paycheck you should save? Take a poll of the class, asking students what they think is the recommended percentage of each paycheck they should save. Is it 2%, 5%, or 10%? Explain that a guideline for consistently saving is to put aside a minimum of 10% of each paycheck.

Share: For many Americans, knowing that we should save is not enough. It takes small, consistent actions to build savings and set a habit. Some strategies for taking action:

- Create a budget and stick to it. Start saving now, even if it's just a few dollars a week.
- Pay yourself first, with a split deposit into checking and saving.
- Save your raises.
- Save your windfalls, such as birthday money or tax refunds.
- Keep emergency savings liquid (easily accessible).
- Set financial goals to keep on track.
- Consider your options to grow your money; savings is for short-term goals and emergencies. Savings need to be easily accessible and there should be no risk of loss. Investments are for long-term goals and may be exposed to the risk of loss in return for the opportunity for greater returns.

Module Section Outline with Facilitator Script, cont.

Activity: Lead students in drafting a personal SMART financial goal, after reviewing examples of SMART goals at practicalmoneyskills.com/ff25 or the SMART Savings Goal handout on page 6 of their Student Activities guide. To support setting specific goals, students may also use the Emergency Fund financial calculator: practicalmoneyskills.com/ff27.

Optional Activity: Have students craft a brief note stating a goal and send it to their future self at futureme.org.

Group Discussion: Start a class discussion about potential strategies students could use to overcome obstacles to reaching their goals. Note themes and point out strategies mentioned.

Choosing Savings Options

Activity: Guide students in playing Best-Case Scenario, which is played like the survival card game, Worst-Case Scenario. Break students into pairs or small groups. Have students examine the savings options line graph on the Best-Case Scenario handout on page 7 of their Student Activities guide.

Share: Explain to students that each savings product has its own pros and cons. There are many categories of savings accounts to choose from. You can use one savings account or multiple ones to organize your money for various purposes. Being a sharp consumer will help ensure you find the product that best fits your needs at any point in life. Ask which product on the line graph (on page 7 of the Student Activities guide) requires a larger initial deposit (CD). Which accounts are more liquid — or allow for easier withdrawals and access to money (checking and savings accounts)?

Savings Accounts

- Basic bank savings accounts offer the lowest interest rates, usually less than 1%. They come with few restrictions on access to your money, and they don't usually have required minimum balances. These accounts, which are associated with brick-and-mortar banks, also can be accessed online.
- Money market accounts are high-yield accounts that pay interest based on the current market rates. They are likely to require a higher minimum balance than a basic bank savings account.
- Online savings accounts are typically similar to basic bank savings accounts, but they offer higher interest rates because they operate online and don't involve the overhead (operating costs) that standard banks do.
- Credit unions are like banks, but they're owned by their members and may offer higher interest on savings.
- Automatic savings plans are options you can set up for your savings account. You can choose to automatically transfer a set amount from your checking account to your savings account every month.

Certificate of deposit (CD) is a savings option that is best suited to those who have funds that can remain completely untouched for longer periods of time. They differ from savings accounts in that they

Module Section Outline with Facilitator Script, cont.

have a specific fixed term (from three months up to five years or longer) and usually a fixed interest rate. They generally offer higher interest rates. However, you may face a steep penalty if you withdraw money before the term ends.

401(k) plans are retirement savings accounts sponsored by your employer. You contribute up to a certain amount of your own money before income taxes are deducted, which lowers your taxable income. Many employers will match your contributions up to a certain percentage, further increasing your retirement fund.

Individual retirement accounts (IRAs) are personal savings accounts that enable you to put money aside annually. You can also receive tax breaks for these funds.

Assign: Have students work in the same small groups and ask each team to decide which savings product best fits scenario needs and why (continued on page 7 of the Student Activities guide). Teams may reference Choosing Savings Options at practicalmoneyskills.com/ff24.

Share: Remind students of these things to consider:

- Their goal and how much they have to deposit
- Their personal access needs: liquidity
- Interest rates
- Fees

Growing Your Money

Share: Explain to students that saving money doesn't always have to be hard work. You can effectively increase your funds by depositing money in a savings account. In exchange for opening an account and giving the financial institution money, your savings will be increased by a certain percentage every year. This percentage is called interest. The longer you leave your savings untouched, the more your money will grow.

Share: Your money can grow exponentially over time with the magic of compound interest. Compound interest is calculated on both the principal and the accrued interest. Share the formula for compound interest.

Compound Interest Formula:

$$A = P\left(1 + \frac{r}{n}\right)^{nt}$$

A = Total amount of the future value of the investment/loan with interest

P = The principal, the initial deposit or loan amount

r = The annual interest rate (decimal)

n = The number of times that interest is compounded per year

t = The number of years the money is invested or borrowed

Module Section Outline with Facilitator Script, cont.

As an optional activity, you can share the Khan Academy video, Introduction to Compound Interest practicalmoneyskills.com/ff29

Assign: Have each student choose two of the Best-Case Scenarios savings product options on page 7 of their Student Activities guide to see how their money would grow over time given the calculator rates and scenario deposit amounts.

Optional Activity: See the Compound Interest Written Exercises on page 9 of the Student Activities guide. Have students practice finding the magic of compound interest with some simple calculations.

Closing: Group Discussion

Share: Walk students through these 5 Tips for Saving:

1. **Make savings a priority.** Each time you're paid, put a portion of it toward savings. Saving money is a good habit no matter how much or how little you put away each month.
2. **Automate your savings.** Most financial institutions allow you to automatically transfer funds online or via mobile apps, from checking to savings accounts.
3. **Find money to save.** Keep track of everything you spend for a week — you'll be surprised where the money goes. Adjust your spending habits a little and suddenly, you're saving.
4. **Keep the change.** Some supermarkets have machines that count your coins and give you cash in exchange for a small fee. Gather up your spare change, pour it into the kiosk machine, and see how quickly your coins add up. Instead of spending it right away, consider diverting your newfound funds to savings.
5. **Cancel extra costs.** Check to see if you have any old subscriptions that you're not using anymore, whether it's to a gym, magazine, or streaming service. Many services that you may no longer want could cost you hundreds of dollars per year.

Did You Know?

Share how the impact of inflation is another consideration when looking at how our money grows over time. It works in the opposite direction that compound interest does. How many of you have heard about groceries or gas being less expensive in the past? Annual inflation rates in the U.S. have typically been 2 to 3%.[2]

Did You Know?

Share the Rule of 72. This mathematical formula can be used to find out how long it will take to grow your money with stocks and investments. First, divide 72 by your account's fixed annual interest rate. For example, if your rate is 6%, divide 72 by 6. At that rate, it will take 12 years to double your savings. When you think about your financial goals, applying the Rule of 72 can have a positive impact by helping you make informed decisions.[3]

Module Section Outline with Facilitator Script, cont.

Ask: As a follow-up, ask students what is one action they plan to take or one savings tip they'll share with a friend.

Optional Post-Test: Have your class turn to page 5 of their Student Activities guide.

[1] Federal Reserve Board's 2017 Report on the Economic Well-Being of U.S. Households
[2] Statista.com
[3] Practical Money Skills

Lesson 2 Saving: Answer Keys

> Saving Pre- and Post-Test

> SMART Savings Goals handout

> Savings Best-Case Scenario handout

> The Magic of Compound Interest handout

Saving Pre- and Post-Test

Directions: Have students refer to the test on page 5 of the Student Activities guide. Have them answer the questions with the most appropriate answer, noting a, b, c, d or filling in the blank.

Answer Key

1. Ideally, how much should you save in your emergency fund?

(Ideally enough to pay 3-6 months' expenses)

2. It's suggested to consistently save approximately________from each paycheck.

(10-12%)

3. A savings account pays you:

a. A fixed amount of money every month

b. Interest on your account balance

c. Every time you use your debit card

d. Interest on the amount you borrow

4. The interest earned on $1,000 over three years at 10% compounded annually is:

($331)

5. A low-risk savings option for a short-term goal is:

a. Single stock

b. Stock mutual fund

c. A lottery ticket

d. A savings account

SMART Savings Goals

Real-life reasons to save are good motivators. It is helpful to use the SMART criteria when you're establishing a savings goal.

Directions: Lead students in drafting a personal SMART financial goal using the worksheet on page 6 of the Student Activities guide.

SPECIFIC goals inspire. Setting a clear goal will help you focus on saving for it.

MEASURABLE goals let you see the real task at hand. By using real numbers, you can measure your progress along the way.

ATTAINABLE goals pay off. When you're setting your goal, ensure that it is realistic and within your reach.

RELEVANT goals make good sense. Set a goal only if you know it will be meaningful in the long run.

TIME-RELATED goals have a real deadline. Setting a time frame for your goal will help you stay committed to reaching it.

Directions: Select the savings goals that correctly incorporate the SMART criteria. Evaluate each savings goal and identify whether the SMART criteria was met for each.

Answer Key

SMART Criteria Met? Yes or No	Savings Goal
No	I'm going to save for a pair of shoes
Yes	I'll have $150 saved for a pair of shoes in three months
Yes	I'll have $10,000 saved to go to college in six months
No	I'll have $10,000 saved to go to college
No	I'm going to save toward my first car
Yes	I'll have $3,000 saved toward my first car in one year

Now it's your turn to establish your own SMART savings goal: Lead students in drafting a personal SMART financial goal. To support setting specific goals, students may use the Emergency Fund financial calculator: practicalmoneyskills.com/ff27

Answers will vary

Best-Case Scenario

Directions: Break students into pairs or small groups and examine the savings options line graph below. Ask students to select the best answer in the two scenarios in this activity. See page 7 of the Student Activities guide.

Savings options:

Account funds are more fluid	Account funds are less fluid
Account holder has less money to save	Account holder has more money to save
Account earns a lower interest rate	Account earns a higher interest rate

Checking account — Savings account — Money market account — Certificate of deposit (CD)

For more information: practicalmoneyskills.com/ff24

Answer Key

Scenario 1: Don't let fees eat you alive

Imagine your friends meet you for lunch. They want to open their first savings account. They each only have around $50 but want to start the habit of saving. Which account do you recommend?

A. Basic savings account, .25% interest, no minimum balance requirement, no monthly maintenance fees

B. Online savings account, 1.25% interest, $4 monthly maintenance fee if average balance is below $500

C. Premium savings account, 1.5% interest, $10 monthly maintenance fee if average balance is below $1,500

Scenario 2: Make the most of interest

You are entering your junior year in high school and have saved $3,500 for a car, and you want to save another $1,500 over the next six months. You want to find a new savings product that has higher interest rates for the $3,500 you have saved so far. You're OK with the money being less liquid for the next six months. What is your best option?

A. Online savings account, 1.25% interest, $4 monthly maintenance fee if average balance is below $1,000

B. Money market account, 1.5% interest, $10,000 minimum deposit, $12 monthly fee if balance is below $5,000

C. Certificate of deposit (CD), 2.5% APY for six months, $2,500 minimum deposit, withdrawal penalty fee if you take money out before six months ends

Best-Case Scenario, cont.

Scenario 3: Investing in your future

You and your best friend have graduated from high school. Your best friend graduated from a vocational school and is going to begin working full time. You have a full scholarship to attend college. You each have $5,000 in earned income you have saved and can use for a long-term savings goal, like retirement. What is the best option for both of you?

A. Money market account, 1.75% interest, $10,000 minimum deposit, $12 monthly fee if balance is below $5,000

B. Certificate of deposit (CD), 2.5% interest for five years, $5,000 minimum deposit, withdrawal penalty fee if you take money out before five years ends

C. Roth individual retirement account (IRA), 6% annual return on investment, early withdrawal penalties if money is taken out prior to age 59.5.

The Magic of Compound Interest

Answer Key

Directions: Have students calculate how much compound interest will be added to their savings by answering the questions in this activity.

Find how much total savings you would have:

If you put $100 in a savings account with a 3% APR every year for 25 years?

__________*($3,964.68)*

If you put $1,000 in a money market account with a 4% APR every year for 30 years?

__________*($61,571.73)*

If you put $5,000 in a Roth IRA with a 6% APR every year for 35 years?

__________*($629,034.77)*

Using the How Will My Savings Grow? financial calculator (practicalmoneyskills.com/ff26), determine who will have saved more for retirement.

Ben invests $2,000 a year from the age of 19 to 26, for a total of $16,000 invested. His investments earn 12% annually until the age of 65. How much will he have saved by the time he reaches 65?

__________*($2,288,996)*

Arthur invests $2,000 a year from the age of 27 to 65, for a total of $78,000 invested. His investments also earn 12% annually until the age of 65. How much will he have saved by the time he reaches 65?

__________*($1,532,166)*

Who will have more saved for retirement?

Ben will have more saved for retirement.

Glossary of Terms

Have students study this list of personal finance terms to warm up before playing Financial Football. By mastering these terms, students will have a better opportunity to answer questions in the game correctly and score.

529 plan: A savings plan operated by a state or educational institution designed to help set aside funds for future college costs. Savings deposited in a 529 plan grow tax-free until withdrawn.

American Stock Exchange (ASE): The third-largest stock exchange by trading volume in the United States. It is one of the oldest U.S. stock exchanges and innovator of the exchange traded fund (ETF).

Annual percentage rate (APR): The yearly interest rate charged on outstanding credit card balances.

Bank: A financial institution that invests money deposited by customers, provides loans, and exchanges currency.

Bank services: Services offered by a bank for convenience, such as online banking, automatic transfer, and check cancellation.

Bond: A type of loan in which an investor extends money to the government or a corporation with a set interest rate and maturity date.

Brokerage firm: An organization that charges a fee to act as an intermediary between buyers and sellers of stock.

Capital gains: Profits from the sale of an investment.

Certificate of deposit (CD): A savings certificate issued by a bank, depositing money for a specified length of time.

Checking account: An account at a bank that allows checks to be written and deposited by the account holder.

Compound interest: Interest calculated on both the principal and the accrued interest. Compound interest is what makes savings really grow. A savings account earns interest every day. Each time your interest compounds, it gets added back to your account and becomes part of your principal. With more principal, the account earns even more interest, which continually compounds into new principal.

Contribution limits: Maximum legal limit on contributions to a specific account.

Deposit: Adding a sum of money to your account to increase your account balance.

Depreciation: The decrease in value of assets over time.

Dividend: A share in a company's profits paid regularly by a company to its shareholders.

Emergency fund: Money set aside for emergency expenses, recommended to cover 3-6 months of expenses.

Estate: The whole of an individual's possessions, including property and debts.

Estate plan: The process of arranging for the dispersal of an individual's estate in the event of death.

Executor: A person or institution appointed to carry out the terms of a will or an estate plan.

Glossary of Terms, cont.

Federal Deposit Insurance Corporation (FDIC): A body that regulates most banks in the United States and insures most private bank deposits. The Federal Deposit Insurance Corporation (FDIC) preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least $250,000; by identifying, monitoring and addressing risks to the deposit insurance funds; and by limiting the effect on the economy and the financial system when a bank or thrift institution fails. An independent agency of the federal government, the FDIC was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s.

Federal Trade Commission (FTC): A federal agency established in 1914 that administers consumer protection legislation.

Fixed rate: A fixed rate does not fluctuate over the length of the loan or investment term.

Individual retirement account (IRA): A retirement account that allows individuals to contribute a limited yearly sum toward retirement on either a pre-tax (traditional IRA) or after-tax (Roth IRA) basis.

Inflation: The overall increase in the cost of products and services over time.

Interest: A charge for borrowed money, generally a percentage of the amount borrowed.

Interest rate: The rate at which a borrower pays interest for borrowing an item or money, or the percentage rate earned on a given investment.

Invest: To expend money with the expectation of earning a profit on that fund over time.

Investment: An item or financial product on which a consumer expects to earn a profit in the future.

Investment portfolio: A range of investments held by a person or organization.

Investment strategy: A set of rules or procedures to guide an investor's selections.

Liquidity: How easily or quickly you can withdraw your money.

Long-term financial goal: A financial goal that will take longer than a year to achieve.

Money market account: A type of savings account offered by banks that usually earns a higher amount of interest than a basic savings account. The minimum deposit and balance for this account is often considerably higher than the minimum balance of a basic savings account.

Mutual fund: A collection of stocks, bonds, or cash managed by a professional for a fee toward a stated goal.

New York Stock Exchange (NYSE): A New York City-based stock exchange, which is considered the largest equities-based exchange in the world based on total market capitalization. Market capitalization refers to the total dollar market value of a company's outstanding shares.

Principal: The original sum of money borrowed in a loan, or put into an investment.

Retirement account: An account such as an IRA or 401(k) that helps an individual set aside money for retirement while minimizing tax burdens.

Glossary of Terms, cont.

Savings account: An account where money is kept for future use.

Short-term financial goal: A financial goal that will require less than a year to achieve.

Social Security taxes: A tax on individuals used to fund the U.S. government's Social Security program.

Thrift savings plan: A retirement savings and investment plan for federal employees and members of the uniformed services.

Variable interest rate: An interest rate that fluctuates based on market changes.

Withdrawal: When you take money out of your account, thereby reducing your principal.

Withdrawal limit: The maximum amount a customer is able to withdraw from an account on a given day.

Withdrawal penalty: Any penalty incurred by an account holder for early withdrawal from an account with withdrawal restrictions.