

## Savings

### The **BIG** Idea

- What strategies will help me reach my savings goals?

### AGENDA

Approx. 45 minutes

- I. Warm Up (10 minutes)
- II. Saving Tips (10 minutes)
- III. Opportunity Costs (15 minutes)
- IV. Bank It! (10 minutes)

### MATERIALS

#### PORTFOLIO PAGES:

- Portfolio page 28, Grade 8 Skills Checklist (Money Matters skills only)

#### STUDENT HANDBOOK PAGES:

- Student Handbook page 67, Personal Savings Goal
- Student Handbook page 68, Tips for Saving
- Student Handbook page 69, Personal Savings Plan
- Student Handbook page 70, Get an Account
- Student Handbook page 13, Decision Making 101 (from **Setting Goals 2: Decision Making**)

#### FACILITATOR PAGES:

- Facilitator Resource 1, Personal Savings Plan Sample
- Facilitator Resource 2, Banking Benefits

#### Calculators (class set)

#### Overhead projector

### OBJECTIVES

During this lesson, the student(s) will:

- Identify reasons and strategies for saving money.
- Create a personal savings plan.
- Define *opportunity cost* and be able to list several costs that are associated with saving money.

## OVERVIEW .....

Students discover that putting aside even a little bit of money every week can enable them to purchase big items over time. Students learn new savings tips and share their own tips with the class. (Depending on what units have been taught previously, students are either introduced to or revisit the concept of ‘opportunity cost’ in connection with saving money.) Students create a personal savings plan. Finally, students explore the many benefits of banking and get information about how to open an account.

## PREPARATION .....

- List the day’s **BIG IDEA** and activities on the board.
- Write the day’s vocabulary words and definitions on the board.
- The following handouts need to be made into overhead transparencies or copied onto chart paper:
  - **Student Handbook page 67, Personal \$avings Goal**
  - **Student Handbook page 69, Personal \$avings Plan**
  - **Student Handbook page 13, Decision Making 101**  
(from Setting Goals 2: Decision Making)
  - **Facilitator Resource 2, Banking Benefits**
- For Warm Up, bring to class a take-out coffee cup (e.g., Dunkin’ Donuts, Starbucks) or other evidence of unnecessary spending.
- Make copies of **Facilitator Resource 3, Do-Now**, or display it on the overhead projector.

## BACKGROUND INFORMATION .....

The personal savings rate in the U.S. has been steadily declining over the past few decades. In 2012, Americans saved only 3.7 percent of their disposable income, compared to 1970 when they saved 8 percent.\* America has one of the lowest savings rates among industrialized nations.

## ACTIVITY STEPS

### I. Warm Up (10 minutes)

1. [Have students complete **Student Handbook page 67, Personal Savings Goal**, as a DO NOW. When students have finished, ask a couple of students to share what they wish they had. You can also share something that you wish you had. Explain to the class that today they are going to figure out how things that seem impossible to save for are actually really within reach.]
2. [Hold up a Dunkin' Donuts cup (or other brand).]

**SAY SOMETHING LIKE:** Raise your hand if you remember keeping a spending diary last year. Who can describe what a spending diary is, and remind us of why someone would keep one? (You write down all of your weekly expenses; it helps you see where your money is going.) If I were to keep a spending diary, I would realize that every day that I come to school I buy a cup of coffee. Each cup costs me \$1.50 and there are 180 days in the school year. Can anyone guess how much this adds up to for a whole year? [Give students a chance to respond.]

Believe it or not, I'm spending a whopping \$270 in just one school year... on just coffee! Rather than sip away my money, I could be saving up for (whatever you mentioned earlier)! Deciding on a personal savings goal can make the difference between making a big purchase that you really want and lots of little purchases... like this cup of coffee.

### II. Tips for Saving (10 minutes)

1. **SAY SOMETHING LIKE:** How many of you have ever saved up for something before? [Hands go up.] Great. That means that you all probably have some valuable tips to share with your classmates. Everyone turn to **Student Handbook page 68, Tips for Saving**.

[Read the first tip and last tip out loud with the class. Instruct them to read the rest of the tips on their own and put a check in the box for any that they've done before. Encourage them to write two tips of their own. After about five or six minutes, have a few students share their tips.]

With Americans saving only 3.7 percent of their disposable income, children are being raised in an era of profligate spending and little planning for the future. They are in danger of reaching adulthood with no regard for saving, the value of money, and the need for personal financial responsibility. In short, we are creating a generation of spenders. The good news is that we can reverse this trend. Studies find that as little as 10 hours of personal financial education positively affects students' spending and savings habits.\*\*

\* U.S. Commerce Department

(<http://www.rttnews.com/1851519/u-s-personal-savings-rate-falls-to-lowest-level-since-august-2009.aspx>)

\*\* National Endowment for Financial Education, "Teens Respond Well To Financial Education, Study Shows Financial Knowledge And Behavior Improve Immediately—And Are Retained" ([http://www.csrees.usda.gov/nea/economics/sri/security\\_sri\\_neferelease.html](http://www.csrees.usda.gov/nea/economics/sri/security_sri_neferelease.html)) For more information on NEFE, visit [www.nefe.org](http://www.nefe.org).

## VOCABULARY

**Interest:** Money the bank pays you for keeping money in their bank.

**Save:** Hanging onto your money for a future use instead of spending it. Saving is the opposite of spending.

**Savings Account:** A bank account that pays you interest for keeping your savings in it.

## IMPLEMENTATION OPTIONS

In Warm Up, you can change the coffee example to whatever is relevant to you. If you're not a coffee drinker, use another scenario such as buying lunch, or buying gas for your car.

### III. Opportunity Cost (15 minutes)

1. [Tell the students that their ideas were great. Note that many of the tips have something in common: they're about giving up things that the students want. Write **opportunity cost** on the board. Remind students that an opportunity cost is what you give up each time you have a choice. (Use a transparency of **Student Handbook page 13, Decision Making 101**, to provide examples of opportunity costs. See Setting Goals 2: Decision Making for details.)
2. **SAY SOMETHING LIKE:** What does this have to do with saving money? Saving money is all about making choices. Sometimes you need to give up something today to get something bigger, or better, later on.

But giving things up only works if you're realistic. For instance, if I said that in order to buy a new bike I was going to walk everywhere rather than traveling by car or subway, and only eat rice and beans, I would probably fail and get discouraged. However, if I say that I'm only going to eat out once a week to save money, I'll probably be able to meet this goal. [You should personalize this example.]

3. [Place a transparency of **Student Handbook page 69, Personal Savings Plan**, on the overhead projector, and have students turn to this page in their handbook. Using the example found in **Facilitator Resource 1, Personal Savings Plan Sample**, work through the process as a group. Then have students complete an example of their own.]

### IV. Bank It! (10 minutes)

1. **SAY SOMETHING LIKE:** So now that we all have tons of money piling up around our house from all the coffee and clothes and soda we're not buying, where's the best place for us to keep it?

[If the idea of putting money in the bank doesn't come up, tell students that if you were saving money for \_\_\_\_\_, you'd put it in the bank. Ask the class why they think people put money in the bank—what the benefits might be. Then share **Facilitator Resource 2, Banking Benefits** on an overhead projector. Reveal benefits one at a time. Have a volunteer read it aloud, and then discuss what each means.]

2. [Before revealing the final benefit, say, "There is one more bonus for putting your money in the bank. Does anyone know what it is?" Give students a chance to reply.

Then explain that one of the best things about putting money in the bank, rather than under your mattress, is that the bank pays you for the use of your money. Tell them that this extra money that they make from the bank is called **interest**.]

3. [Ask the students if any of them have their own bank account. Ask them to turn to **Student Handbook page 70, Get an Account**. If there's time, read through the information with the students, answering questions. If you're short on time, simply point out the information as a resource.]

**SKILLS CHECKLIST**

Direct students' attention to **Portfolio page 28, Grade 8 Skills Checklist**. Have students complete the skills checklist questions for Money Matters Skills.

**Money Matters**

**I can...**

Explain how a budget works.	<input type="checkbox"/> not at all	<input type="checkbox"/> somewhat	<input type="checkbox"/> very well
Give reasons why saving money is a good idea.	<input type="checkbox"/> not at all	<input type="checkbox"/> somewhat	<input type="checkbox"/> very well

**EXTENSION ACTIVITY**

Suggest that students investigate custodial savings accounts at local banks to find out how much money is needed to start one, the interest rate, and whether or not there are any service charges or fees.



## Personal Savings Plan Sample

### Example:

1. What I want to save for:     *iPod*
2. Total cost:     *\$200*
3. Savings goal (amount I want to save each week):     *\$10*

**NOTE:** This should not be all of the money you expect to have in a week. You'll be more successful if you're realistic.

4. Opportunity costs (what will you give up)
  - *Rent movies on DVD instead of going to the movies.*
  - *Stop buying candy after school.*
  - *Only buy new clothes on sale.*
5. How long will it take you to reach your goal?

$$\frac{\text{Total cost of item}}{\text{Weekly savings goal}} = \text{Number of weeks to save}$$
$$\frac{\$200}{\$10 \text{ per week}} = \underline{20} \text{ weeks to save}$$

## Banking Benefits

Why is a savings account a good idea?

**Safety**

A bank is the safest place for your money. No worries about your money being lost, stolen, or borrowed without your permission.

**Easier to keep track of it**

A statement (a record) from the bank lists all your banking activity each month. This bank statement lists money you put in, money you took out, and how much is left.

**Easier to avoid buying stuff you don't really need**

If your money is in your wallet, under your mattress, or any other place where it's easy to get your hands on it, it's also easy to spend it without thinking.

**Interest**

The bank pays you for keeping money in their bank.

Adapted from: <http://pbskids.org/itsmylife/money/managing/article8.html>



## Personal Savings Goal

Today, we'll talk about how to save money for an item you want. To begin, please answer the following questions.

1. Write down something that you'd like to own, but have put off buying because it's too expensive. Then explain why this item is important to you.

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2. How much does this item cost? \_\_\_\_\_

3. How long would it take to save enough money to buy it? \_\_\_\_\_

4. What might prevent you from saving up the money needed to buy this item?

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## Tips for Saving

- **Don't carry a lot of cash.** If you have to go home or to the bank before you spend money, you'll have a chance to think about whether or not you need the purchase. You'll be less likely to buy impulsively.
- **Pay yourself first.** Set money aside each time you get some and pretty soon you'll be able to buy something that you really want.
- **Skip the snacks.** If you save just \$2.00 each week on soda and candy, you'll have \$104.00 after one year—enough for a much bigger purchase.
- **Keep a spending diary.** Write down everything that you spend money on. This will let you see where your money is going and help you stay on track.
- **Don't be tempted by brand names.** Buy what you can afford. It's much better to have money in the bank than a closet full of clothes that were popular a month or two ago.
- **Be patient with yourself.** Saving can be hard at first. Most adults aren't very good at it, which is why it's so important that you start practicing smart saving habits now!

### Write two savings tips of your own:

□ \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

□ \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[Adapted from <http://pbskids.org/itsmylife/money/managing/article9.html> and <http://www.themint.org/kids/saving-tricks.html>]



## Personal Savings Plan

1. What I want to save for: \_\_\_\_\_

2. Total cost: \_\_\_\_\_

3. Savings goal (amount I want to save each week): \_\_\_\_\_

**NOTE:** This should not be all of the money you expect to have in a week. You'll be more successful if you're realistic.

4. Opportunity costs (what will you give up):

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

5. How long will it take you to reach your goal?

$$\frac{\text{Total cost of item}}{\text{Weekly savings goal}} = \text{Number of weeks to save}$$

\_\_\_\_\_ = \_\_\_\_\_ weeks to save

## Get an Account

Your parent or guardian can set up a savings account for you until you're an adult (age 18 or 21, depending on what state you're in).

This is called a custodial account. Anybody can put money into the account, but only your parent or guardian can take money out. These accounts don't earn much interest—usually somewhere between  $\frac{1}{2}$  to one percent. That's the bad news.

There's also good news:

- You don't need a lot of money to open this kind of account. Some banks\* require as little as \$5. Others want you to start with \$25.
- You don't need to keep a lot of money in this account. Most\* have no minimum balance.
- There are usually\* no service charges or fees to use this kind of account.

\* Different banks have different plans. Be sure to compare banks where you live so you're sure of the rules.