

Savings vs Investment

Summary

Students will understand the value of savings and investments including the aspects of risk, return, liquidity and costs inherent in each. They will also understand appropriate financial products for different financial goals.

Main Core Tie

Adult Roles and Financial Literacy

[Strand 7 Standard 4](#)

Materials

- [Compounding Interest Transparency](#)
- [Financial Products Scenarios](#)
- [Inflation and Investing Transparency](#)
- [Millionaire Next Door Article](#)
- [Risk Activity Labels](#)
- [Savings vs Investing Transparencies](#)
- [Savings vs Investment Lecture Notes](#)
- [Vocabulary Worksheet and Key](#)
- [Ways to Save Signs](#)
- [Writing Prompt Assignment](#)

Baskets or bowls

Tape

Ball

3 glasses - one with water, one with water that has been frozen, one that is empty

Jenga or similar game

Instructional Procedures

Vocabulary

Use the [vocabulary worksheet and key](#) (pdf).

Primary Vocabulary

Savings

Investing

Risk

Return

Liquidity

Relationship between risk and return

Stocks

Bonds

Mutual Funds

Real Estate

Certificate of Deposit

Collectibles

Compounding Interest

Fixed Interest Rate

Inflation

Interest
Interest Rate
Liquidity
Money Market Account
Pay Yourself First
Principal
Rule of 72
Savings Account
Savings Bonds
Simple Interest
Time Value of Money

Introduction

Ways to Save and Invest

Saving and investing motivator - Place the provided signs [Ways To... Signs Markers Sticky Notes](#) (pdf) on each side of the room. Pass out two sticky notes to each member in your class. Have each student brainstorm at least three ways that they know people save money (set aside money to use later) and write it on one of the sticky notes, on the other sticky note have them brainstorm at least three ways people invest money for future income or profit. Have them place the sticky notes under the corresponding sign placed in the room. Use this to start a class discussion on ways to save and ways to invest.

Content Outline, Activities and Teaching Strategies

(All options do not necessarily need to be taught. Select ones to cover standards and objectives and according to your district policies.)

Option 1: Risk and Outcome Activity

Risk vs. Return Motivator- Place [provided labels](#) (pdf) on baskets, boxes, cups, or levels of a dart board. Using tape, create five different distances away from the labeled items. The closest distance label, "Ultraconservative", the next distance "Conservative", next "Moderate", next "Risky", and finally "Speculative Risk". Have the students make a goal of what they will get prior to them throwing the ball or SOFT dart. After they throw the ball or SOFT dart, discuss what their goal was and the risk associated with it. Did the end result benefit them? Was it worth the "risk" or would it have been better for them to choose a more conservative level of risk and throw from that distance?

Option 2: Savings vs Investing

Use the [Savings vs Investment Lecture Notes](#) (pdf) and the [Saving and Investment Transparency](#) (pdf) to have a class discussion. To explain liquidity, you can use three cups, one filled with water, the other filled with water that has been frozen and one empty. It will be easy to transfer the water from one cup to another, just as it is easy to transfer money from one account to another when the account is liquid. It will take longer to try and transfer the ice to the empty cup because you must wait for it to melt. This can be compared to accounts that are not as liquid because you have to wait till a certain age or a certain time to access the money within the account.

Option 3: FEFE Savings vs Investing

Use the Family Economics and Financial Education (FEFE) Savings vs. Investing Lesson Plan. Students compare the difference between saving and investing, brainstorm reasons to begin saving, and examine why some people do not. Students evaluate recommended savings guidelines and develop a personal savings goal.

Step #1: Go to: <http://www.fefe.arizona.edu/download-lessons> (You will need to register and log in to this website prior to use)

Step #2: Click on Educational Resources, then click on Curriculum, then click on 14.0 Savings.

Step #3: Click on 1.14.1 Introduction to Savings and download the lesson plan and resources.

Option 4: NEFE Savings vs Investing

National Endowment for Financial Education High School Planning Program

In the NEFE Instructor Manual and the corresponding Student Guide use Unit 3 Investing: Making Money Work for You.

Possible Activities from Unit 3 Investing:

Show PowerPoint Visual 3-A, Saving and Investments, to illustrate the similarities and differences between saving and investing.

Arrange students in pairs to complete Exercise 3A, Ways to Save and Invest, page 28. Ask: Which strategies do you use now to save or invest? Which do you think is a better use of your money- saving or investing? Why?

In two sentences and without notes, tell a classmate about the relationship between risk and reward related to investing.

Distribute and assign Assignment 3-4, My Risks and Rewards, to encourage student to consider the risk and rewards of their preferred investments.

Students complete the Are You a Risk Taker? Activity

Guide students to fill in a Venn diagram to compare saving and investing as they complete Exercise 3E, Savings or Investment? on page 37 in the NEFE Student Workbook.

You can order free Instructor Manuals and Student Guides by going to the following website:

<http://hsfpp.nefe.org/home/>

Option 5: Time Value of Money and Inflation

The time value of money refers to the fact that a dollar in hand today is worth more than a dollar promised at some future time. Use the [Time Value of Money](#) (pdf) and the [Inflation Transparency](#) (pdf) (or you can make a PowerPoint) to have a class discussion.

Option 6: Time Value of Money Econ Lesson Plan

Great informative lesson plan on time value of money and future values. Go to:

<http://www.econedlink.org/lessons/index.cfm?lesson=EM37>

Option 7: Time Value of Money FEFE Lesson Plan

Use the Family Economics and Financial Education (FEFE) Time Value of Money Lesson Plan. Students determine how to "make their money work for them" by understanding the time value of money. They begin by comparing with classmates what they would do with \$100.00. Next, they learn the difference between simple and compounding interest and discuss the three factors affecting the time value of money: time, interest rate, and amount invested. Finally, they learn the two equations (present value and future value) used to solve for the time value of money by using financial calculators.

Step #1: Step #1: Go to: <http://www.fefe.arizona.edu/download-lessons> (You will need to register and log in to this website prior to use)

Step #2: Click on: Curriculum then click on 14.0 Savings.

Step #3: Click on 1.14.5 Time Value of Money and download/print the lesson plan and resources. FUTURE VALUE FEFE LESSON PLAN- Refers to the amount of money to which an investment will grow over a finite period of time at a given interest rate. Put another way, future value is the cash value of an investment at a particular time in the future.

Option 8: NEFE Time Value of Money

National Endowment for Financial Education (NEFE) lesson plan

In the NEFE Instructor Manual and the corresponding Student Guide use Unit 3 Investing: Making Money Work for You Student Guides

Possible Activities from Unit 3 Investing:

Think about who would have more money: the person who invests \$2,000 for 10 years starting now, or the person who starts investing @2,000 a year 10 years from now at the same rate? Direct student attention to the "Did You Know?" Section on page 20. Guide students to study Figure 3-1: The Advantage of Starting Early.

Read pages 30-32 to see examples of how simple interest and compounded interest are calculated.

Show the following PowerPoint visuals to demonstrate the impact of interest:

3-B, Investing Weekly at 5% Interest

3-C, Investing Annually to Achieve a Goal

3-D, To Have \$50,000 at 8% Interest;

3-E, Investing a \$10,000 Lump Sum

3-F, Investing \$1,000 annually

Guide students to complete Exercise 3B, The Power of Compounding, on page 30. Show PowerPoint Visual 30G, for answers to Exercise 3B

Distribute and assign Assignment 3-1, Time Value of Money, to be completed in class or as homework by a due date

Show the following PowerPoint visuals to explain the Rule of 72: 3-H, Rule of 72 3-I, Rule of 72: \$10,000 Invested

Direct students to apply the Rule of 72 as they work with a partner to complete Exercise 3C, The Impact of High Returns.

You can order free Instructor Manuals and Student Guides by going to the following website:

<http://hsfpp.nefe.org/home/>

Option 9: Time Value of Money Writing Prompt

Have students respond in writing to the statement on the [Writing Prompt Transparency](#) (pdf) and discuss it together.

Option 10: Rule of 72

Family Economics and Financial Education (FEFE) Rule of 72 Lesson Plan Students learn how the "Rule of 72" can be used for predicting savings. Learning is reinforced by completing calculations on a worksheet.

Step #1: Go to: <http://www.fefe.arizona.edu/download-lessons> (You will need to register and log in to this website prior to use)

Step #2: Click on: Curriculum then click on 14.0 Savings.

Step #3: Click on 1.14.3 Rule of 72 and download/print the lesson plan and resources.

Option 11: Saving Lesson Plans

Go to the following website: <http://www.practicalmoneyskills.com/foreducators/>

Use Lesson Twelve: Saving and Investing

12-A Pay Yourself First (A Little Can Add Up)

12-B Types of Savings Accounts

12-C Money-Market Deposit Accounts

12-D Certificates of Deposit (CDs)

12-E How Simple and Compound Interest are Calculated

12-F Choosing a Savings Account

12-G Truth in Savings Act

12-H The Rule of 72

Source: Practical Money Skills

Option 12: FEFE Saving Terminology Games

Use the Family Economics and Financial Education (FEFE) Saving Terminology Games Lesson Plan. Students play activities to reinforce vocabulary learned from the Introduction to Saving, Time Value of Money, and Rule of 72 Lessons Plans.

There are three different activities including bingo, tumbling tower, and a word search. This lesson is designed to follow the Introduction to Savings 1.14.1, Time Value of Money 1.14.5, Managing your Cash 1.14.2, and Rule of 72 1.14.3 lessons plans. Because of the large amount of terminology within the four lessons, this lesson has been designed to reinforce vocabulary. There are three different

activities within this lesson and an assessment.

Step #1: Go to: <http://www.fefe.arizona.edu/download-lessons> (You will need to register and log in to this website prior to use)

Step #2: Click on: Curriculum then click on 14.0 Savings.

Step #3: Click on Click on 1.14.4 Saving Terminology Games and download the lesson plan and resources.

Savings Bingo 1.14.4.H1 -- Each student is provided with a Bingo card. The teacher reads the definitions and students mark the term being defined on their card.

Savings Tower 1.14.4.H2-- In small groups, student may play Savings Tower. When student pulls a piece from the tower, he/she identifies the words defined by the tower piece.

Savings Word Search 1.14.4.A1-- This is a word search for students to complete on savings terminology,

Option 13: Financial Products FEFE Managing Your Cash

Use the Family Economics and Financial Education (FEFE) Managing Your Cash Lesson Plan.

Students compare the characteristics of different cash management tools including a checking account, savings account, money market deposit account, certificate of deposit, and savings bond. Students participate in an activity, 4 of a Kind, to reinforce the different characteristics for each cash management tool.

Step #1: Go to: <http://www.fefe.arizona.edu/download-lessons> (You will need to register and log in to this website prior to use)

Step #2: Click on: Educational Resources then Curriculum then click on 14.0 Savings.

Step #3: Click on 1.14.2 Managing Your Cash and download/print the lesson plan and resources.

Option 14: Financial Product Scenarios

Use the [Financial Product Scenarios document](#) (pdf) to discuss:

Which financial product is appropriate for the following situations?

Saving for a senior trip

Saving for college

Saving for a down payment on a house

Saving for retirement

Option 15: Survey/Interview

Have students talk to several friends and relatives about the methods they use to save and invest for various financial goals. (What types of saving accounts and investments do they use?)

Option 16: Shopping for a Savings Account Field Activity

Have students compare saving rates at various financial institutions at local banks and credit unions.

Option 17: Savings vs Investing

Go to the following website: <http://www.handsonbanking.org/en/> (You can print off a guide or you can use the information in order to have a hard copy of one.)

Teens (Grades 6-8) Go to:

http://www.handsonbanking.org/nav_elements/teachers_guide_PDF/Teen_T_Guide.pdf

UNIT OVERVIEW: Savings and Checking

Unit Three: Savings and Checking

Savings and Checking Guide (page 45)

Section 1: Savings Accounts (page 47)

Section 2: Checking Accounts (page 67)

Section 3: Balancing a Bank Account (page 71)

Teaching Tips (page 76)

Young Adults (Grades 10-12) Go to:

http://www.handsonbanking.org/nav_elements/teachers_guide_PDF/YA_T_Guide.pdf

Section 2: Managing Money

Managing \$ (page 25)

Section 1: Interest and Savings Accounts (page 27)

Section 3: Getting Started: Your Own Accounts. (page 36)

Student Activities (page 51)

Teacher's Copy of Managing \$ Assessment Worksheet (page 56)

Source: Hands On Banking

Option 18: Millionaire Next Door

Refer to the [Millionaire Next Door Article](#) (pdf).

Have the students read the summary, then decide on a statistic or particular topic that intrigues them. Then they are to make a visual... display, diagram, PowerPoint, poster, sculpture, painting, game, etc... connecting what they learned from the summary to concepts they learn in class AND their independent research.

Require a writing assignment with their reaction or response to the topic they chose. This writing sample would address questions such as... Why did you choose this topic? What did you learn from your own research? How will this influence your financial decisions?... etc. This might work best as a final project or maybe a group project.

Suggestions provided by Business Education Consultant Traquel Dayley.

Note: "The Millionaire Next Door" is the compilation of the findings of a 20- year research study which examines how individuals become millionaires. It is presented on this Bank High School to stimulate class discussion and learning and to dispel commonly held beliefs about millionaires, how they acquired their wealth and how they spend it.

Summary/Evaluation

It is important to understand the difference between saving and investing. Different investments have different levels of risk; different interest rates, different levels of liquidity, and costs that are associated with the investment. Inflation affects investing because it changes the value of a dollar and what it can purchase. There are a variety of financial products that can be used for different financial goals.

Authors

[CTE LESSON PLANS](#)