

Getting Started

Overview

This lesson covers the basics of saving and investing.

Lesson Objectives

Students will be able to:

- Describe the reasons people save and invest.
- Evaluate the costs and benefits of saving and investing.
- Explain the difference between saving and investing.

Lesson Procedures

1. Have students read Lesson 5.1. Use the Introduction scenario in the lesson and have students respond to the questions at the end. Have students brainstorm different ways to encourage their younger brothers and sisters to stop wanting everything immediately. Remind them that postponing purchases may often be a good choice for them as well.
2. Ask students why people save money and why it is important to save for future purchases. Have them identify ways they can save money. Remind them that saving money on a purchase is different from putting money into a savings account.
3. Discuss the concept of opportunity cost. Illustrate the concept by holding a \$1 bill in one hand and a soft drink can (candy bar, a school pen, or other item) in your other hand, and tell them they have to choose which one they want. If they choose the \$1, their opportunity cost is the soft drink or vice versa. Explain how putting money into savings means waiting to spend their money on something they want or need in the future instead of spending it on something they want or need today. What they do not buy today is their opportunity cost.
4. Have students complete Activity 5.1 to reinforce this concept. Discuss the activity.

(Continued on page 2)

PERSONAL FINANCIAL LITERACY

PASS OBJECTIVE

Objective 5.1: Explain reasons for saving and investing to meet goals and build wealth (e.g., opportunity cost, return on investment, emergencies, major purchases, down payments, and education).

Objective 5.2: Identify and compare the costs and benefits of various investment strategies (e.g., compound interest, tax implications, account liquidity, and investment diversification) and how inflation affects investment growth.

“A full purse is not as good as an empty one is bad.”

Yiddish Proverb

VOCABULARY

Investing

Liquidity

Opportunity Cost

Risk

Saving

Savings Account

Getting Started

5. Discuss the strategies for saving, which include having an emergency account to meet immediate needs arising from unexpected events, a savings account to meet short-term goals, and investments to meet long-term goals. Explain the difference between saving and investing as part of this discussion.
6. Conclude the lesson by revisiting the FINAL NOTE. Ask students if they have any additional suggestions to help Micah's little brother or their siblings understand the importance of saving.
7. Use Lesson Review 5.1 to assess student learning.

The Rule of 72

Overview

This lesson examines the differences between simple and compound interest as well as the Rule of 72.

Lesson Objectives

Students will be able to:

- Compare simple and compound interest.
- Calculate simple and compound interest.
- Use the Rule of 72 to demonstrate how long it takes savings to double.

Lesson Procedures

1. Have students read Lesson 5.2. Use the Introduction scenario in the lesson and have students identify something they are saving to buy.
2. Review the content of the lesson, emphasizing the difference between simple interest and compound interest and explaining the Rule of 72. Have students complete Activity 5.2 to help them understand these concepts. Review the activity. Ask students if they would prefer to earn simple or compound interest and why.
3. Conclude the lesson by revisiting the FINAL NOTE. Ask students what they have learned in this lesson to help Amanda double her money.
4. Use Lesson Review 5.2 to assess student learning.

PERSONAL FINANCIAL LITERACY

PASS OBJECTIVE

Objective 5.1: Explain reasons for saving and investing to meet goals and build wealth (e.g., opportunity cost, return on investment, emergencies, major purchases, down payments, and education).

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“Those who both spend and save money are the happiest because they have both enjoyments.”

Samuel Johnson

VOCABULARY

Compound interest

Principle

Rule of 72

Simple interest

Savings and Investing Strategies

Overview

This lesson examines the costs and benefits of various savings and investment strategies.

Lesson Objectives

Students will be able to:

- Examine different types of savings and investment strategies.
- Compare the costs (risk) and benefits (rate of return) of different savings and investment strategies.

Lesson Procedures

1. Have students read Lesson 5.3. Review the vocabulary for this lesson with the students, and discuss the differences in the two types of college saving accounts mentioned in the Introduction scenario.
2. Review the content of the lesson, explaining the costs and benefits of the different types of saving and investment tools. Have students complete Activity 5.3 to help them understand these concepts. Discuss the activity.
3. Discuss rate of return to ensure students understand that not all investment strategies are the same. Ask students why different assets would have different rates of return.
4. Conclude the lesson by revisiting the FINAL NOTE. Ask students what they have learned in this lesson to help increase their amount of potential savings for their personal goals. Remind students that the purpose of a savings account is to SAVE money; if they make a habit of withdrawing their money like a checking account, they will have no savings for their future wants, needs, or goals.
5. Use Lesson Review 5.3 to assess student learning.

PERSONAL FINANCIAL LITERACY

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“Money should be mastered, not served.”

Publilius Syrus

VOCABULARY

Certificate of deposit
 Corporate bond
 Money market mutual fund
 Mutual fund
 Rate of return
 Risk
 Savings account
 Savings bond
 Stocks

Time Is Money

Overview

This lesson describes the potential impact that time, risk tolerance, and inflation have on saving and investing.

Lesson Objectives

Students will be able to:

- Determine how saving and investment strategies vary with individual needs and circumstances.
- Evaluate the impact of inflation on future earnings, saving, and investing.
- Identify the different types of saving and investment products designed to meet financial goals.

Lesson Procedures

1. Have students read Lesson 5.4. Use the Introduction scenario in the lesson to generate discussion about the role of time in investing. Ask students if they agree with Izzy.
2. Review the content of the lesson, discussing the importance of each factor: time, fixed income items, risk, and inflation. Have students complete Activity 5.4 to help them understand these concepts. Ask students to summarize and discuss what they learned in the activity.
3. Conclude the lesson by revisiting the FINAL NOTE. Ask students what they have learned in this lesson. Encourage them to discuss it with their parents to better understand their potential retirement options.
4. Use Review 5.4 to assess student learning. Ask students to explain what they learned

PERSONAL FINANCIAL LITERACY

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“Money is the opposite of the weather. Nobody talks about it, but everybody does something about it.”

Rebecca Johnson

VOCABULARY

Asset class
Diversification
Equities
Fixed income class
Inflation
Risk tolerance

Managing Financial Risks

Overview

This lesson describes the different types of risk that can impact saving and investing options.

Lesson Objectives

Students will be able to:

- Discuss the role of risk when saving and investing.

Lesson Procedures

1. Have students read Lesson 5.5. Use the Introduction scenario in the lesson to generate discussion about the role of time in investing. Ask students if Mark has a good idea.
2. Review the content of the lesson, comparing the four types of risk.
3. Conclude the lesson by revisiting the FINAL NOTE. Have students discuss their perception of risk before and after the lesson, asking how it changed.
4. Use Review 5.5 to assess student learning.

PERSONAL FINANCIAL LITERACY

PASS OBJECTIVE

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Objective 5.2: Identify and compare the costs and benefits of various investment strategies (e.g., compound interest, tax implications, account liquidity, and investment diversification) and how inflation affects investment growth.

“Many of life’s failures are people who did not realize how close they were to success when they gave up.”

Zig Ziglar

VOCABULARY

Diversification

Financial risk

Fraud risk

Inflation risk

Market risk

The of 72 Cheer

Overview

This activity can be used to introduce or review the Rule of 72.

Materials

- Copy of the “cheer” page. Print off the equation cards and affix each part of the equation to different colored sheets of paper or construction paper. (You could also add a division sign if you want to change the equation as noted in the lesson conclusion)

Procedures

1. Ask for five student volunteers to participate in leading the cheer.
2. Give each student volunteer one page of the cheer and help them get in the appropriate order to lead the cheer for the rest of the class. Have one volunteer at a time hold up his/her page of the Rule of 72 equation and repeat what it says. Instruct the rest of the class to follow along with the cheer by reading off the page as shown. (Note: You can scramble the equation and have students put it back into the correct order.)
3. Now, put numbers in the equation and have students calculate what goes in the blank.
For example:
 $6 \text{ percent} \times (12 \text{ years}) = 72$
 $10 \text{ years} \times (7.2 \text{ percent}) = 72$

The Rate of Interest

X

The Number of Years

=

72

Rating Risk

Overview

This activity can be used to review the role of risk when saving and investing.

Materials

- Index cards
- Markers
- Tape
- (Sticky Notes could substitute for Index cards and Tape)

Procedures

1. Make a list of the investment and saving tools discussed in Standard 5 on the board:

Certificates of Deposit
Corporate Bonds
Money Market Mutual Funds
Mutual Funds
Savings Accounts
Savings Bonds
Stocks

2. Put students into groups of 3-4 and give each group seven index cards (or sticky notes). Have them write one tool on each card. Have students rate each tool as low risk, high risk, or risk varies.
3. Write Low Risk, High Risk, and Risk Varies on the board, giving students a place to post their answers. Ask for one volunteer from each group to post their cards in the appropriate category.
4. Review the posted cards and discuss the reasons for placing them in the different categories. Group answers may vary, depending upon the reason they give. Remind students that risk can vary based on individual tolerance or situations; also remind students that all saving and investing options have some kind of risk. Review the most widely accepted risk category for each tool.
5. Conclude the activity by summarizing that short-term savings generally should be placed in the lower risk options and longer term investments in the higher risk options to maximize their potential earnings.

Are Your Eggs in One Basket?

Overview

This activity can be used to help students understand the concept of diversifying their investments. It is recommended to either introduce Lesson 5.4 or be incorporated while you are discussing the Lesson 5.4; in addition, it could be used as a review of Standard 5. It is designed to show the importance of spreading risk when investing.

Materials

- Several (3-5) baskets.
- Several (3-5) plastic Easter eggs
- A ball (or any object) to drop
- 1 sheet of paper per group
- Pen or pencil for each student

Procedures

1. Put students into small groups. Give each group one sheet of paper and have one person in the group fold it into thirds. Have them number the top of each section from one to three. The paper will be used to record their discussion about the activity. Have them appoint someone in the group to serve as the note taker.
2. Show students that you have put all of the plastic eggs in one basket. Tell the students the basket of eggs represent money that would be invested in one type of option such as personal savings or an investment in a particular company. Hold the ball over the basket, and ask the students to discuss what would happen if the ball dropped on all of the eggs, relating it to their personal savings or the example you choose. Have each group write their responses to the outcome of dropping the ball on all of the eggs.
3. Separate the eggs, placing one egg in each basket. Tell the students that each of the separated eggs represent types of investments (401K, mutual funds, stocks, bonds, real estate, savings/cash and/or particular company investments).
4. Hold the ball over one of the baskets, and ask the students to discuss what would happen to all of the eggs if the ball dropped on that single egg. Have each group write their responses to the outcome of dropping the ball on one of the eggs in one basket.
5. Ask the students what the ball could represent. Help them get started if they need help. Responses could include stock market uncertainty, politics, industry failures or struggles (healthcare, oil and gas, farming/agriculture, financial, etc.).
6. On the final third of the paper, have students explain the importance of diversification within their savings and investment portfolios.

Extending the Lessons

Use the quotes in the Teacher’s Guide as an introductory discussion or review for the lessons.

Introduce students to the Oklahoma College Savings Plan (OCSP) Web site at <https://www.ok4saving.org/plan/>. Put students in 10 groups (if possible) to develop posters, videos, written summaries, or other projects about each of the ten reasons to open an OSCP account.

If your students have access to a computer, assign a risk quiz for them to see how their personal risk assessment results compare with the online description of their assessment. The quiz at Bankrate.com is just one option for online risk assessment questionnaires: <http://www.bankrate.com/finance/investing/risk-tolerance-quiz.aspx>. Remind students their perception of risk will probably change at various points in their lifetime.

Resources

Lessons:

Free lesson plans and other resources at <http://moneyisok.com/standards/standard-5-saving-and-investing/>

It Just Adds Up Lesson 27: Collectibles – A Fun but Risky Investment Option www.econisok.org

Free lesson plans at <http://www.econedlink.org/>

Videos/Online Resources:

Free Videos at www.bettermoneyhabits.com. Free lesson plans for some videos available under Better Money Habits tab at <http://www.econedlink.org/>

Free lesson plans at <http://www.econedlink.org/>

General personal finance resources available at:

- www.federalreserveeducation.org
- www.mymoney.gov
- www.jumpstart.org