



Lesson Three

Saving and Investing



websites for saving and investing

The internet is probably the most extensive and dynamic source of information in our society. The following web sites can provide students and others with current information, assistance, and data related to this lesson. Web addresses ending in “.com” are commercial; “.org” are nonprofit; and “.gov” are government.

KidStock	kidstock.com
Saving	moneyopolis.org
The Young Investor	younginvestor.com
Young Investors Network	smithbarney.com/yin

saving and investing lesson outline

overview

Part of learning about money management includes knowing where to put savings. The value of savings increases differently depending on how the money is managed. Placing savings in something beyond a savings account introduces students to the world of investments.

When they become adults, these students will have control over where they invest their money for retirement. It is important that they understand how to get the best growth for their money. At the same time, they need to understand the chances of losing that money in investments.

This lesson introduces students to the basics of how money grows through saving and investing. It introduces the concepts of financial risk and rates of return.

goals

Understand the different savings options that can increase the value of money. Perform activities associated with calculating interest rates and future values of money.

lesson objectives

- Consider alternative ways to help money grow through savings.
- Apply simple math concepts to determine the future value of money.
- Introduce students to the concept of investment risk.

presentations

3-A Calculating Simple Interest

student activities

3-1 Financial Institutions

Related Worksheet: savings alternatives

- List and discuss alternative places for saving money.
- Help students recognize the pros and cons of each alternative.

3-2 Interest Rates

Related Worksheet: interest rates

- Students learn to calculate future money values.
- Students compare the interest rates of different savings accounts.

3-3 Stocks and Ownership

Related Worksheet: trading stocks

- Students learn about stocks and company ownership by playing a stock simulation game.
- Provide an opportunity for students to practice investing in stocks with play money.

3-4 Lesson Three Quiz

saving and investing teaching notes

financial institutions

This activity introduces students to different places where they can put their money so that it earns interest.

- List local financial institutions.
 - Banks
 - Credit unions
 - Other
- Ask students to research different types of savings accounts at banks and credit unions.
 - Ahead of time, collect brochures on types of savings accounts from local financial institutions.
- Put the information on a classroom chart so students can compare the different choices.
 - Discuss the differences between accounts and institutions.
- Explain that some savings account choices make it easier to withdraw their money if they experience a money emergency. Other accounts have penalties for taking money out for emergencies.
 - Discuss how easy it is to obtain your cash on short notice.



student activity 3-1

interest rates

This activity allows students to practice their math skills to determine the amount of money earned from different interest rates.

- Ask students to calculate the future value of one dollar (\$1) placed in a savings account for one year.
 - Calculate the interest using differing interest rates. (Examples: five percent, eight percent, and ten percent).
 - Assume simple interest rates.
- Next, calculate each account balance based on length of time held in the account.



student activity 3-2

saving and investing teaching notes

- Calculate the amount in each percentage column for three years, five years, and ten years.
- Discuss the importance of long-term savings to provide money for future needs.

stock ownership

This activity introduces students to the riskier world of investments through stock ownership.

- Explain to students that buying a share of stock is another way to increase their money's value.
- Tell students that when they buy a share of stock, they own part of that company.
- When the company makes money, they receive part of the profit as a dividend.
- Another way their money increases (or decreases) in value is when the price of a share of the stock changes.
- Ask students to list their favorite:
 - Fast food restaurant;
 - Brand of jeans;
 - Soft drink;
 - Toy maker; and
 - Computer.
- Help the students identify the stocks and symbols associated with their favorites.
- Divide the class into teams.
 - Ask each team to pick one stock from the list and pretend to purchase it.
 - Give each team a \$1,000 account (on paper) to purchase stock.
- Keep a classroom chart for each stock.
 - Each day, record the price of one share of stock for each company selected.



student activity 3-3

saving and investing teaching notes

stock ownership (continued)

This activity introduces students to the riskier world of investments through stock ownership.

- Check the previous day's closing prices on the Internet or in the newspaper.
- Order copies of the annual reports for the companies selected. (This can be done via the Wall Street Journal Web site).
 - Let the students read more about the companies they selected.
- Record any dividends paid for each stock during this activity period.
- Allow students to buy or sell shares.
- Track the prices for four weeks.
 - Compare the team account balances at the end of the four weeks.
- Discuss the need to own stocks over a long term for the best investment.

lesson 3 quiz



quiz 3-4



interest rates

directions

The longer your money sits in the bank, the more money it will earn for you. The money earned is called interest. The higher the interest rate, the more money you earn. Fill in the chart below, assuming you are figuring out the money earned on a deposit of \$1 (for simple interest).

Teacher: Figures based on simple annual interest. There may be some differences due to rounding.

Future Value of money: \$1.00

	5%	8%	10%
1 year	\$1.05	\$1.08	\$1.10
3 years	\$1.16	\$1.26	\$1.33
5 years	\$1.28	\$1.47	\$1.61
10 years	\$1.63	\$2.17	\$2.71



lesson 3 quiz: investing

circle the correct answer for each question.

1. Placing money into a savings account can increase my money.
True *
False
2. The longer my money is in a savings account, the more money it will earn.
True *
False
3. Different savings accounts pay different amounts of interest.
True *
False
4. If the price per share of stock increases, I can sell it for more money than I paid for it.
True *
False
5. Compound interest makes money grow faster.
True *
False
6. Which of the following increases the value of my money in stocks?
a. Increase in price per share *
b. Dividends
c. Stock splits
d. All of the above
7. Owning shares of stock:
a. can increase the value of my money
b. can decrease the value of my money
c. can provide income from dividends
d. all of the above *
8. Which of the following is the best way to increase the value of a savings account?
a. Make few withdrawals from the account
b. Make regular deposits into the account
c. Leave the money in the account for as long as possible
d. All of the above *
9. Which of the following is not a place to find information about stocks?
a. annual reports
b. newspaper financial page
c. cookbook *
d. internet
10. The best way to grow my money is to:
a. make a variety of investments *
b. save my money in a closet
c. loan it to a friend
d. buy new clothes