



Personal Finance

Strategies to Save Day 2

April 16th, 2020



Lesson: April 16th, 2020

Objective/Learning Target:

Students will learn to:

- Identify various rules of thumb and strategies to save money
- Determine whether a direct deposit or manually saving is the better strategy for them
- Understand how compound interest works to increase savings.

Warm up (think out loud, or write your answer down)

This is in reference to your warm up activity from Lesson 3.3 part 1

1. Which goal, in each category, would motivate you most to save?
 - a. Short term-
 - b. Medium term-
 - c. Long term-
2. Let's say you have a part-time job, and you're able to save \$100 per month from your paychecks. How would you distribute the money between your 3 savings goals above?
3. Why did you choose this strategy?

Lesson

When you save in an interest bearing account, accumulating savings becomes even easier. How can you use compounding to increase your savings? Watch this video and then answer the questions.

https://www.youtube.com/watch?v=wf91rEGw88Q&feature=youtube_gdata

1. Summarize how compound interest helps you to accumulate savings even faster.
2. How does the age at which a person starts saving impact the amount they can earn in compound interest?
3. Today's savings accounts typically offer interest rates below 1%. How does this impact the power of compounding?

Lesson

Follow the directions to complete the activity.

Part I - Example

Say you want to buy a computer that you can use for school next year, which is 9 months away. You discover that you can buy a computer for \$400 at a discount electronics store in town.

- How much do you have to save every month to buy it?

ANSWER: $\$400 / 9 \text{ mos} = \$44.44/\text{mo}$

- How much is it per week?

ANSWER: $\$44.44 / 4 \text{ wks} = \$11.11/\text{wk}$

- How much is it per day?

ANSWER: $\$11.11 / 7 \text{ days} = \$1.59/\text{day}$

That's less than two dollars a day! That's a concrete amount you can work with.

Lesson cont'd

Now you try. Pick one of your medium- or long-term saving goals.

1. What are you saving for? And why are you motivated to save for it?
2. Do web research to figure out a reasonable estimate of the cost.
3. Pick a time frame. How many months or years away would you like to achieve your goal?

Lesson cont'd

Now you try. Pick one of your medium- or long-term saving goals.

4. Calculate how much per month, week, and day you'll need to save for it.

- a. Month
- b. Week
- c. Day

5. Brainstorm and list ways you will be able to earn and save that amount.

Exit Ticket

1. Explain how compound interest is different from simple interest.
2. What does it mean to set up an “automatic deposit” and why is this a good savings strategy?