Saving and Investing

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

Learning Objective(s):

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

Target Group:

- **Grade 3 – Grade 6**

Lesson Excerpt:

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.

Students' Activities:

1-1   Financial Institutions
    Related Worksheet: savings alternatives
- List and discuss alternative places for saving money.
- Help students recognize the pros and cons of each alternative.

1-2   Interest Rates
    Related Worksheet: interest rates
- Students learn to calculate future money values.
- Students compare the interest rates of different savings accounts.

1-3   Lesson Quiz

1-1   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.

1-2   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 thousand dollar ($1000) 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.

Lesson Quiz

This activity tests each child's ability to make rational decisions.

- Generate a simple multiple choice quiz
- Math (Calculations) - Simple Interest worksheets

Multiple Choice Quiz

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. Compound interest makes money grow faster.

> True *
> False

5. 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 *

6. Which of the following is not a place to find information about savings/investments?

     a. annual reports
     b. newspaper financial page
     c. cookbook *
     d. internet

7. The best way to grow my money is to:

     a. make a variety of investments *
     b. save my money is a closet
     c. loan it to a friend
     d. buy new clothes

Interest Rates

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 $1,000 (for simple interest).

	5%	8%	10%
1 year			
3 years			
5 years			
10 years			

Simple Interest Equation:

(Principal + Interest)

A = P (1 + rt)

Where:

- A = Total Accrued Amount (principal + interest)
- P = Principal Amount
- r = Rate of Interest per year in decimal: r = R/100
- t = Time Period involved in months or years

An Example:

Principal = $1000
Rate of Interest = 5% per annum
Time = 2 years

A = P (1 + rt)
A = $1,000 (1 + (0.05*2))
A = $1,000 (1+ 0.1)
A = $1,000 (1.1)
A = $1,100