

## LESSON PLAN

### **Make it Happen: Saving for a Rainy Day**

#### **Learning Objective(s):**

- Learn the pros and cons of savings and investing strategies
- Exercise skills needed for saving and investing
- Examine how saving and investing is part of financial well-being

#### **Target Group:**

- **Grade 9 – Grade 11**

#### **Lesson Excerpt:**

Saving for a new phone or laptop isn't unusual for teens, but thinking beyond immediate wants can be a bigger challenge. This lesson introduces students to the concepts of saving for an emergency and other long-term expenses such as college, a home and retirement. Students will learn the benefits of saving for a rainy day and explore various saving and investing strategies.

**Essential Question “What strategies should I use to save and invest my money?”**

**Investigate: Rainy Day Savings**

**[Time Required: 10 minutes]**

1. Begin by asking students what they think the phrase “saving for a rainy day” means. Invite volunteers to share their thoughts and explain that the expression refers to creating an emergency fund to pay for unexpected expenses, such as an illness or car repairs.
2. Ask the class why an emergency fund is important. What do we gain by being prepared for the unexpected? What would we do if we didn’t have an emergency fund and something actually happened? Help students understand that preparing for emergencies can increase their sense of security.
3. Next, ask students what other long-term expenses they might incur in the future. Are they planning to go to college? Explain that just as we set aside money for emergencies, we should also set aside money for long-term needs like college, buying a home and retirement. Help students understand that the younger they start saving, the more their money will grow.

**Student Preparation: Where to Keep Money**

**[Time Required: 20 minutes]**

4. Explain to students that part of creating a good savings plan, whether for an emergency fund or long-term goals, is assessing where our money is best kept for maximizing savings.
5. Ask students what they do with the money they receive from jobs, allowance or gifts. Do they spend it? Save it? Keep it at home? Deposit it in a bank account? What choices do they make with their money and why? Invite students to share their experiences.
6. Explain that not all banks or savings accounts are the same and that we have many choices when it comes to saving and investing our money.

### **Challenge: Comparing Options**

**[Time Required: 30 minutes]**

7. Next, hand out the student activity sheet and ask students to work in groups of 4–5 to complete the activity.

8. Invite each group to share their findings. Discuss how money grows differently depending on the savings strategy. Explain that students' individual life needs will affect their savings strategies (e.g., younger people often take more savings risks than older people; saving for college tuition and books would be best done in an account that allows access to your assets without penalty, while saving for retirement could be done in an account where funds weren't as easily accessible).

### **Reflection**

**[Time Required: 5 minutes]**

Invite students to reflect in their notebooks about which strategies they would consider using to save for a rainy day. Would they put their money in a CD, a money market account or a savings account? Why?

## **Student Activity Sheet**

### **Scenario 1**

Aiden's car is 12 years old and he's worried it might break down, so he's trying to save three months of expenses for unexpected repairs, while also saving for a new car. What are the best savings strategies for Aiden so he can keep his money accessible for repairs, but also save for a new car?

### **Scenario 2**

Madeline's friends invited her to go to Cancun next year for vacation. She really wants to go, but she's not sure if she can afford the \$1,000 trip. She has \$500 saved in her dresser and has one year to save the rest, but she's not sure where to keep her money so she can maximize her savings. What is the best savings strategy for Madeline and why?

### **Scenario 3**

Scott is a freshman in high school and plans to attend college someday. His grandparents gave him \$5,000 to start his college savings, but he's not sure where he should keep this money until he's ready to go to college. What would be the best savings strategy for him?

## Concepts to Learn

### **Certificate of Deposit (CD)**

- ❖ Savings certificate issued by a bank
- ❖ Higher interest rates than a traditional savings account
- ❖ Not risky
- ❖ The longer the term, the higher the interest you usually earn
- ❖ Must be left in the bank for a fixed amount of time
- ❖ Steep penalties for withdrawing money early
- ❖ Minimum balances required

### **Savings Account**

- ❖ A deposit account that earns interest and is issued by a bank
- ❖ Not risky
- ❖ No restrictions on withdrawals
- ❖ Low or no minimum balances required
- ❖ Lowest interest rates
- ❖ Some banks charge fees for opening and maintaining accounts

### **Money Market Account**

- ❖ A type of checking and savings account issued by a bank or credit union to hold your money
- ❖ Higher interest rates than a savings account
- ❖ Can withdraw money (with some restrictions)
- ❖ Higher minimum balance required
- ❖ Some withdrawal restrictions (e.g., limits on number of withdrawals per month)
- ❖ Subject to fees if balance below certain amount

## **Answer Key**

### **Scenario 1**

Aiden could choose a simple savings account to hold his emergency fund and save for a new car. However, if he wanted to get a better interest rate, he could also consider opening a Certificate of Deposit [CD] account to use solely for new car savings.

### **Scenario 2**

Madeline has a few different options that could work—she could put her money in a savings account or she could take the \$500 she already saved and invest it in a short-term Certificate of Deposit [CD] account. Since she needs the money in one year, she has to be careful to select a CD with less than a 12-month maturity date or else she could face steep penalties.

### **Scenario 3**

Because Scott has such a large sum to invest and he doesn't need the money for several more years, he would be wise to select a longer-term savings plan with high interest rates. A money market account or a CD would be a great choice.