

Saving & Investing

Time Allotment: *45 Minutes*

High School Juniors and Seniors

ND Standards

- Explain the relationship between saving and investing.
- Describe reasons for saving and investing.
- Identify types of savings accounts.

Learner Objectives

- Define key words related to savings, investing, and time value of money.
- Explain the difference between bonds, mutual funds, and stocks.
- Use the rule of 72.
- Calculate Simple & Compound Interest
- Risk as it relates to investing.

Materials and Resources:

- NEFE high school financial planning student guide-Unit 4
- NEFE financial planning student Visual 4-I
- Practical Money Skills website www.practicalmoneyskills.com
 - Activity 12-2, 12-4
 - Overhead 12-O, Overhead 12-E, Overhead 12-H

Lesson Outline:

Students need to learn the simple basics of saving and investing. They might not think they have enough to start, but even the smallest amount invested builds something. Time is the students' greatest resource.

Define Savings

Types of Savings Accounts:

1. Passbook Account-

- Depositor receives booklet in which deposits, withdrawals, and interest are recorded
- Average interest rate is lower at banks and savings and loan than at credit unions-

- Funds are easily accessible.

2. Statement Account-

- Same as passbook account except depositor receives monthly statements instead of passbook.
- Accounts are usually accessible through 24hour ATM.
- Interest rates are the same s passbook.
- Funds are easily accessible.

3. Interest Earning Checking Account

- Combines benefits of checking and savings
- Depositor earns interest on any unused money in his/her account.

4. Money Market Deposit Accounts- What are they and how do they work?

- Checking/saving account. The interest rate is paid built on complex structure that varies with size of balance and current level of market interest rates. You are able to access your money from an ATM, teller, or by writing up to three check a month.
- Benefits are immediate access to your money. Trade –offs are usually requires a minimum balance in order to be paid interest, limited check writing.

5. Certificate of Deposit (CDs)

- Bank pays a fixed amount of interest for a fixed amount of money during a fixed amount of time.
- No risk, simple, no fees, offer higher interest rates than savings accounts.
- Restricted access to your money. Withdrawal penalty if cashed before maturity.

Discuss factors that way when choosing a savings account:

- Interest Rate
- Fees, charges, and penalties.
- Balance Requirements
- Balance calculation method

Rule of 72

Explain:

Use the rule if 72 to determine how many years it will take to double your money

Show NEFE Visual Guide 4-I & Practical Money Skill overhead 12-H

Review – Overhead 12-E

Simple Interest Calculation: Dollar amount x Interest Rate x Length of Time (in years) = Amount Earned

Compound Interest Calculation: (Original \$ Amount + Earned Interest) x Length of Time=Amount

Define Investing

Risk and how it relates to investing

Types of Investing

Mutual Funds- Professionally managed portfolios made up of stocks, bonds, and other investments. Individuals buy shares, and fund uses money to purchase stocks, bonds, and other investments. Profits returned to shareholders monthly, quarterly, or semi-annually in the form of dividends. Allows small investors to take advantage of professional account management and diversification normally only available to large investors.

Types: Balanced Fund, Municipal Bond Fund, Global Bond Fund, Regional Stock Fund, etc.

Bonds- A bond is an “IOU,” certifying that you loaned money to a government or corporation and outlining the terms of repayment. Buyer may purchase bond at a discount. The bond has a fixed interest rate for a period of time. When the time is up, the bond is said to have “matured” and the buyer may redeem the bond for the full face value.

Types

- Corporate
- Municipal
- Federal Government

Stocks- Represents ownership of a corporation. Stockholders own a share of the company and are entitled to a share of the profits as well as a vote in how the company is run.

Discuss how earnings are made

Discuss advantages/disadvantages

Real Estate-Ways of Investing

- Buy a house, live in it, and sell it later for a profit.
- Buy income property and rent it (Apartment house or commercial building)
- Buy land and hold it until it rises in value

Retirement Plans- Help individuals set aside money to be used after they retire.

Types

- Individual Retirement Account (IRA)
- Roth IRA
- 401(k)
- Keogh Plan

Compare Savings and Investment Plans

Show PMS Overhead 12-O

Activities:

Calculating Interest Activity- (PMS Activity 12-2)

Have students work through problems. Make sure they understand

Test Knowledge of Saving and Investing Activity 12-4