

### **Section 3—Financial Security**

**Title of Lesson/Subject:** Bank Savings Account

**Prepared by:** Sandra Schmitz

#### **Contact Information**

**E-mail address:** Schmitz@watford-city.k12.nd.us

**Phone :** 701-444-3300

**Time Allotment:** 1-50 minute class period (extra 2-30 minute class periods if extensions done)

**Grade Level or Target Audience:** 3<sup>rd</sup> grade

**ND Standards Competencies:** 4.3.3 Understand the role of currency in everyday life

**Key Economic Concepts:** Interest, Savings, Withdrawal, Deposit

**Brief Description:** The third grade students will learn what a savings account is and how lending money to a bank can make money or earn interest.

**Learner Objectives:** Students will learn the benefit of their money earning interest in a savings account and the factors affecting the amount of growth – amount of money saved and interest rate.

#### **Lesson Outline/Introduction:**

##### **Materials Needed:**

Bank Savings Account Worksheet (for students and transparency)

Calculator for each student

?professional from a bank

**Audio/Visual Equipment Needed:** Overhead projector, overhead calculator (optional but helpful), chalkboard

##### **Resources:**

Money Instructor at <http://www.moneyinstructor.com/>

**Introduction:** Review fractions are a part of a whole. Explain decimals are fractions or parts of a whole. Connect decimals with interest rates.

##### **Activities:**

- Discuss with students what a savings account is and why a student might want one. Explain that a safe and easy way to save your money is with a **bank savings account**. A bank savings account allows you to **deposit** money (add money to your account) or withdraw money (remove money from your account) at any time. In return for keeping your money at the bank, the bank pays you money, also known as **interest**. Interest will be earned on the money you have on deposit at the bank. Since you may deposit or withdraw money each day, the bank will calculate how much money you should receive

in interest. You will also receive a periodic statement from the bank listing your deposits, withdrawals, interest, and account balances. Each bank may pay a different amount of interest, so it makes sense to look at several banks to decide which one to use.

- For example, if you have \$100 and save it in a bank savings account, and the bank pays 5% **interest**, then in one year you will have an extra \$5.00 in interest, or \$105 in total. Therefore, the bank paid you \$5.00 for saving your money with them.
- Compute the interest at 5% with different amounts of \$100, \$200, \$300, \$500, \$1,000. Discuss that the more money you have in savings, the more money you'll make from the money. Let each student choose their own amount and compute. Share the results.
- Compute different interest rates with 5%, 6%, 7%, 9%, and 11% with \$500. Discuss that the higher interest rate you have the more money you'll make from the money. Let each student choose their own interest rate and compute using \$500. Share

#### **Extension/Follow UP:**

- Have the students pretend they want a new bike that is \$150. Explain that the bank will give money to pay for the bike, but they must pay them back and pay 8% interest on the money they **borrow**. They must pay (interest) for the money they are using. Calculate how much they must now pay for the bike after interest. Discuss, share, and explain their answers.
- Invite a representative from a local bank to the classroom to discuss savings accounts with the students.

#### **Evaluation Plan:**

- ✓ Identify how to make money from a savings account
- ✓ Identify the factors that affect how much money is made in the savings account
- ✓ Identify how a loan costs the borrower money