

### **Section 3—Financial Security**

**Title of Lesson/Subject:** How to Double Your Money/General Business

**Prepared by:** Barb Puppe

#### **Contact Information**

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**Time Allotment:**     One 50-minute class period

**Grade Level or Target Audience:** General Business Students (mostly 9<sup>th</sup> graders but can be up to 12<sup>th</sup> graders)

**ND Standards Competencies:** Business and Office Technology Standards (Grade 12)

Consumer Economic Skills –

1. Manage money and credit
2. Apply economic concepts as they relate to wants and needs

Analytical and Computational Skills –

1. Apply basic accounting and financial concepts to business and personal applications
2. Use a variety of tools to record, analyze, interpret, and communicate financial information.

**Key Economic Concepts:** Managing Personal Finances

#### **Brief Description:**

In this lesson, students will learn to calculate the return on investments for various rates and lengths. They will compare their results with the Stocks Quest Calculator, which lists calculations year by year. Comparing the rates and lengths on investments, students will come away with a better understanding of how the power of compounding works.

#### **Learner Objectives:**

Students will:

1. Calculate the return on investments using the Rule of 72.
2. Use an online calculator for investments.
3. Compare rates and lengths on investments.
4. Understand the concept of compounding.

#### **Introduction:**

A simple way to calculate compounding is the rule of 72, which enables students to figure out how long it will take to double their money. They just take 72 divided by the rate of return, and they will get an idea of how many years before their initial investment will double. For example, the usual return for the stock market is 12%. A student's money would take 6 years to double because  $72 / 12 = 6$ . Of course, the rule of 72 is just an approximation.

**Materials Needed:** Internet access, calculators (can use calculator on computer), sample problems

**Audio/Visual Equipment Needed:** Computer lab, projector

**Lesson Outline:**

- I. Explain Rule of 72
- II. Calculate the return on investments for various problems
- III. Use online calculator
- IV. Compare rates & lengths on investments

**Resources:**

[www.stocksquest.com](http://www.stocksquest.com)

Click on lesson plans and then choose Lesson 5 from lesson options.

**Activities:**

Discuss Rule of 72 (10 minutes) - Example formula and discuss an example. Use projector to provide visual for the entire class.

Application/Activities (20 minutes) - Using calculators, complete examples of compounding interest. Activities are found on website.

Using online calculator (10 minutes) – Demonstrate using an online calculator to compute returns on investment. Link to calculator is on website.

Additional Activity (10 minutes) – If time allows, demonstrate the reverse of the Rule of 72. (See lesson plan in web site.)

**Evaluation Plan:** Assess computations made in online activities