

Chapter Three: Putting Your Money to Work for You

PUTTING YOUR MONEY TO WORK FOR YOU.



Lesson Plan

Materials

1. Types of Accounts Worksheet Instructor Copy
2. Penny a Day Calculations Sheet
3. Crayons/colored pencils/markers for vocabulary worksheet
4. Cups - one for each student
5. Pennies (at least eight for each student)
6. Post-it notes (for students to use and stick on the board)
7. Green Food Coloring (add to the water for the FoW)
8. Student Materials Packets

Outline

1. Review
2. Vocabulary
3. FOW Invest
4. Penny a Day
5. Spending Records
6. Categorize Expenses
7. Class I and E
8. Class Savings Goal

Lesson Objectives

1. The student will be able to define terms associated with savings accounts such as **compounding interest, principal, deposit, and withdrawal.**
2. The student will be able to define terms associated with investment accounts such as **Individual Retirement Account, Money Market Account, Certificate of Deposit, Annual Percentage Yield, 401(k), spending plan, mutual fund.**
3. The student will be able to classify their expenses into needs vs. wants.
4. The student will be able to categorize their expenses.
5. The student will be able to work with their classmates to construct a spending plan based on the total class income and total class expenses.

Procedure

REVIEW (3 min.)

1. Using the Fountain of Wealth and the notes on it from last class, have students answer some questions about what they learned about checking and savings accounts.

VOCABULARY (15 min.)

2. *Today we will cover types of investment accounts that you would use to save over the long term, ten years or more. These accounts have higher rates of interest and there are lots of rules that you need to understand before you open one of them.*

3. *Open the packets to the page with the big dollar sign, vocabulary words and definitions on it. Shade in each word with a different color, then shade in each word's definitions with the correct matching color.*
4. Help students as they work individually on the Vocabulary Coding with Color Worksheet.

FOUNTAIN OF WEALTH INVESTMENT ACCOUNTS (10 min.)

5. *Last time we used this to talk about checking accounts and savings accounts but we left investment accounts empty. So let's do an example to show how you should use investment accounts.*
6. Open the valve to the savings account and pour water into the checking until the savings account is full and water begins to flow into the investment account, then close the valve.
7. *Before you start investing you should have saved up to this line, which represents enough money for you to live for six months if you lose your job or have some other kind of emergency. Remember, this savings account is not earning too much interest, so once you have an emergency fund you should put your extra money in an account that is earning more interest.*
8. *What you invest in depends on your financial goals and your age. In order to decide what kind of account you need let's look at some of your options.*
9. On the Fountain of Wealth list the types of investment accounts from the **Types of Accounts Worksheet Instructor Copy**. Be sure to explain that 401(k)s and IRAs are for retirement and cannot be used without a penalty before you are 59 1/2 years old.

PENNY A DAY (10 min.)

10. *All of these accounts are investments and also assets because they are earning interest at different rates; we are going to play a game to learn a bit more about how interest works.*
11. *Which would you take one million dollars now or a special account that you would contribute one hard-earned penny and the credit union would give you 100% interest for 31 days?*
12. Tally student responses on the board.
13. *I'm not really giving you any money, but let's just see what would happen if you chose the penny today.*
14. Use the **Penny a Day Calculations Sheet** to show day 1, day 2, day 5, and day 10 on the board. Then ask if anyone wants to change their vote. Then write out day 15, day 20, day 25 and day 31.
15. *How did we end up making more money off the penny?*

16. Have students take out the **Penny a Day Activity Worksheet** and give them each **one cup and one penny**.
17. Have students place the cup in the circle marked **day one**.
18. *The cup represents an account earning interest at a rate of 100% per day. The penny is money that you worked for and choose to save in this account. So put your penny in the cup. What do you think your original principal is?* One Penny
19. *Write \$.01 in the original principal box.*
20. *Many credit unions and banks compute interest daily so at the end of day one at 100% interest per day how much interest would you have earned?* One more penny
21. *Write \$.01 in the interest earned box.*
22. *So what would our new principal be?* Two Pennies.
23. *Write \$.02 in the interest earned box.*
24. *Play the role of the credit union and add one penny to each students account.*
25. Have students move the cup to the next day, the new principal from yesterday becomes today's original principal. Follow the same process from the day before for the next two days, except each day the interest grows because you have a larger principal. Interest earned on day two is two pennies and interest earned on day three is four pennies.
26. Point out that the only money that each student worked for was that first penny, the rest they earned just by letting their money sit in the account over time. Also point out that they were earning interest on their interest not just on the money that they put in, that is compounding interest.
27. *What if I had put two pennies into the account on the first day?* That would have made a larger principal so you would get more interest.
28. *What if I left the money in the account for a longer time?* Then I would earn more interest.
29. *So what are the three factors that decide how much money I get?* Time, Amount of Principal, and Interest Rate
30. *The one you have the most control over is time so the earlier you start saving the more money you will earn in interest!*
31. Go back to the Fountain of Wealth and point out that most savings account get about .5% to 1.5% APY or per year, and point out that IRAs, CDs, and Money Market Accounts earn 2%-5% per year, and that Mutual Funds and 401(k)s can earn between 5% and 10%, but they are not FDIC or NCUA insured so they can lose

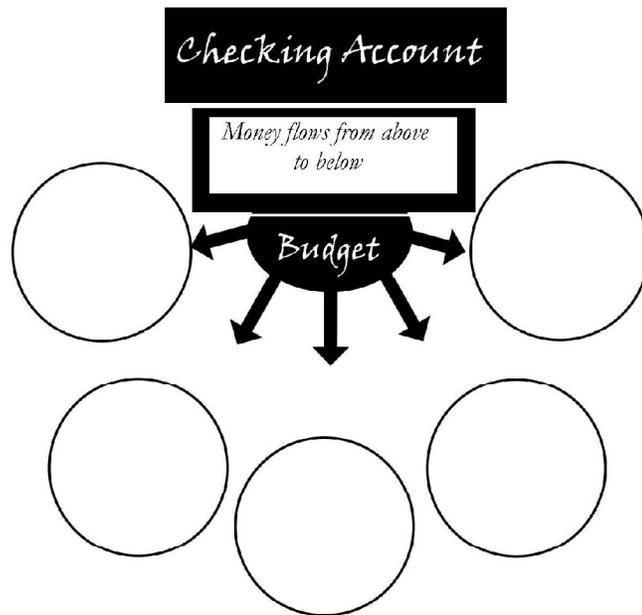
value. It is important that students understand that it is very hard to get 100% but the concept is the same.

SPENDING RECORDS (5 min.)

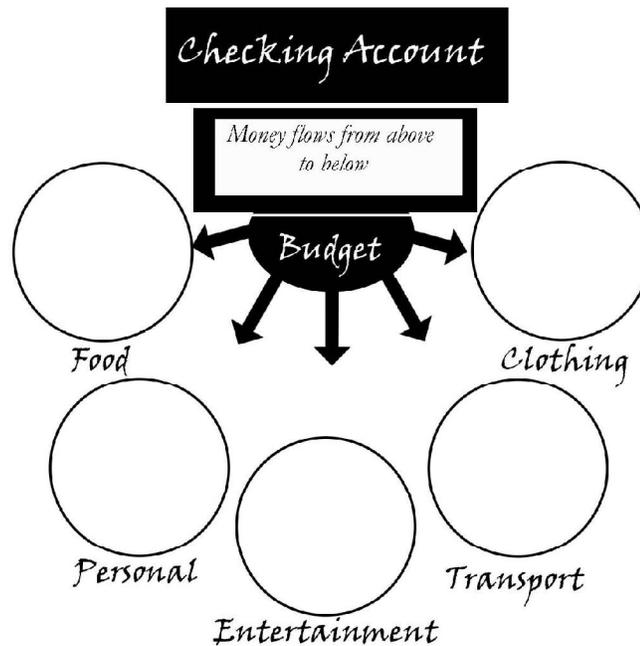
32. *Now that we have talked about where we should save our money, we need to talk about how to save.*
33. *Think back to last class when we poured the cup of water into the account. What did the water represent? Income*
34. *What did the straws represent? Expenses from our checking accounts.*
35. *Before we put straws into the water, what did we do? Paid Ourselves First*
36. *Was the money in the checking account earning interest? No*
37. *So the more money we can get into the savings and investment accounts and the longer it sits there, the more interest we earn. The more our money is working for us and not for somebody else.*
38. *Would there be more or less money to save if we put more spending straws into our checking account? Less*
39. *If you can start saving money now, you are on your way to a secure financial future. Once you get enough money working and earning interest for you, when you decide you don't want to work anymore your money will be producing income for you.*
40. *Most people's money goes to expenses with little left over to save. Right now we are going to do an exercise to see where your money is coming from and where it is going then we will make a spending plan as a class.*
41. *Take out your **spending record** from last week and raise your hands and tell me where you got your money and what you spent your money on in the last week.*

CATEGORIZING EXPENSE (15 min.)

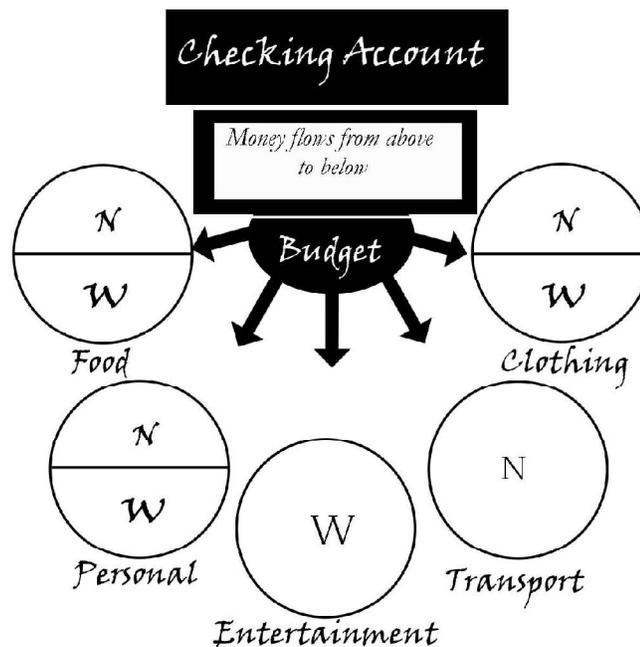
42. **NOTE:** If students don't get money to spend, I ask them to keep the receipts from money spent on them and to calculate their income by adding up this money. They will have exactly as much going out as they have coming in and then we go through the purchases to see what they could do to spend less and ask their parents for some of that money to save for future goals.
43. Draw this on the board and explain as you do it...



44. *Last week we talked about checking accounts. What is a checking account?* The account you fill up with your paycheck and pay out your expenses.
45. *This is your checking account filled with your weekly income. What was your weekly income for last week and where did it come from?* **Wait for student response**
46. *You have money coming in but this income doesn't stay in the checking account because you spent it on things, and there is a lot out there to spend it on.*
47. *However, the checking account only has so much in it. When it is empty, that's it (finito, done, gone) until it gets filled again. Like we talked about before, you need to have a savings account and make sure that some of your money comes right off the top so that you won't spend all your income.*
48. Ask students to give you categories write them near the circles like this...



49. Then go back and split or assign categories a need or want status. Some categories need to be split into needs vs. wants. Discuss this as you do it, talk about what it means to be a need or a want. Especially that you can live without wants but can't live without needs. It might look like this...



50. Have students write their first name, three items they spent money on, and how much they spent on each of the three separate Post-it notes. Then have them come up to the board and place their notes in the category that applies to the item on the note. Ask them to be honest about which side of the line the item should be on; need or want. Check to make sure they put the items into the correct category.

ADD UP CLASS INCOME AND EXPENSES (10 min.)

51. *Can each of you tell me about how much money you have coming in every week?* Total the income from the class on the board, or if students say they spend all they earn then you can just use the total of expenses you get later.
52. Divide the class into one group for each category and have them take all the notes from the board in their category and add them up.
53. While the students do this, draw a copy of the **Spending Plan Worksheet** on the board. (You can also project this onto the board as an overhead or with a data projector.)
54. Have each group report on how much was spent in each category and write the information on the Spending Plan on the board. Also fill in the class income on the spending record. Have students copy this information onto their Spending Plan Worksheet. Subtract expenses from income and write the deficit or surplus on the Spending Plan.

SETTING A SAVINGS GOAL (10 min.)

55. *What category are we missing on the expenses side, or what should we always do before we spend any money? Save*
56. *This chart shows how we have been spending our money. In order to make this a Spending Plan, we have to include savings and decide where we will cut back to put some money aside for savings.*
57. Add the savings category and have students raise hands and say what they can cut back on to put some money into savings. As they do this, subtract money from the categories that they are cutting back on until you have 10% of the income to go into savings.
58. *Now we have a plan of specific things we can do to make it possible to put money into our savings and start an emergency fund and eventually invest!*

Note to instructor:

We have calculated this at 78 minutes of teaching time. This is the minimum; it can take much longer. Feel free to adjust time according to students' needs.

PENNY A DAY CALCULATIONS

<i>Day</i>	<i>Amount</i>
1	\$.01
2	\$.02
3	\$.04
4	\$.08
5	\$.16
6	\$.32
7	\$.64
8	\$1.28
9	\$2.56
10	\$5.12
11	\$10.24
12	\$20.48
13	\$40.96
14	\$81.92
15	\$163.84
16	\$327.68
17	\$655.36
18	\$1,310.72
19	\$2,621.44
20	\$5,424.88
21	\$10,485.76
22	\$20,971.52
23	\$41,942.04
24	\$83,886.08
25	\$167,772.16
26	\$335,544.32
27	\$671,088.64
28	\$1,342,177.28
29	\$2,684,354.56
30	\$5,368,709.12
31	\$10,737,418.24

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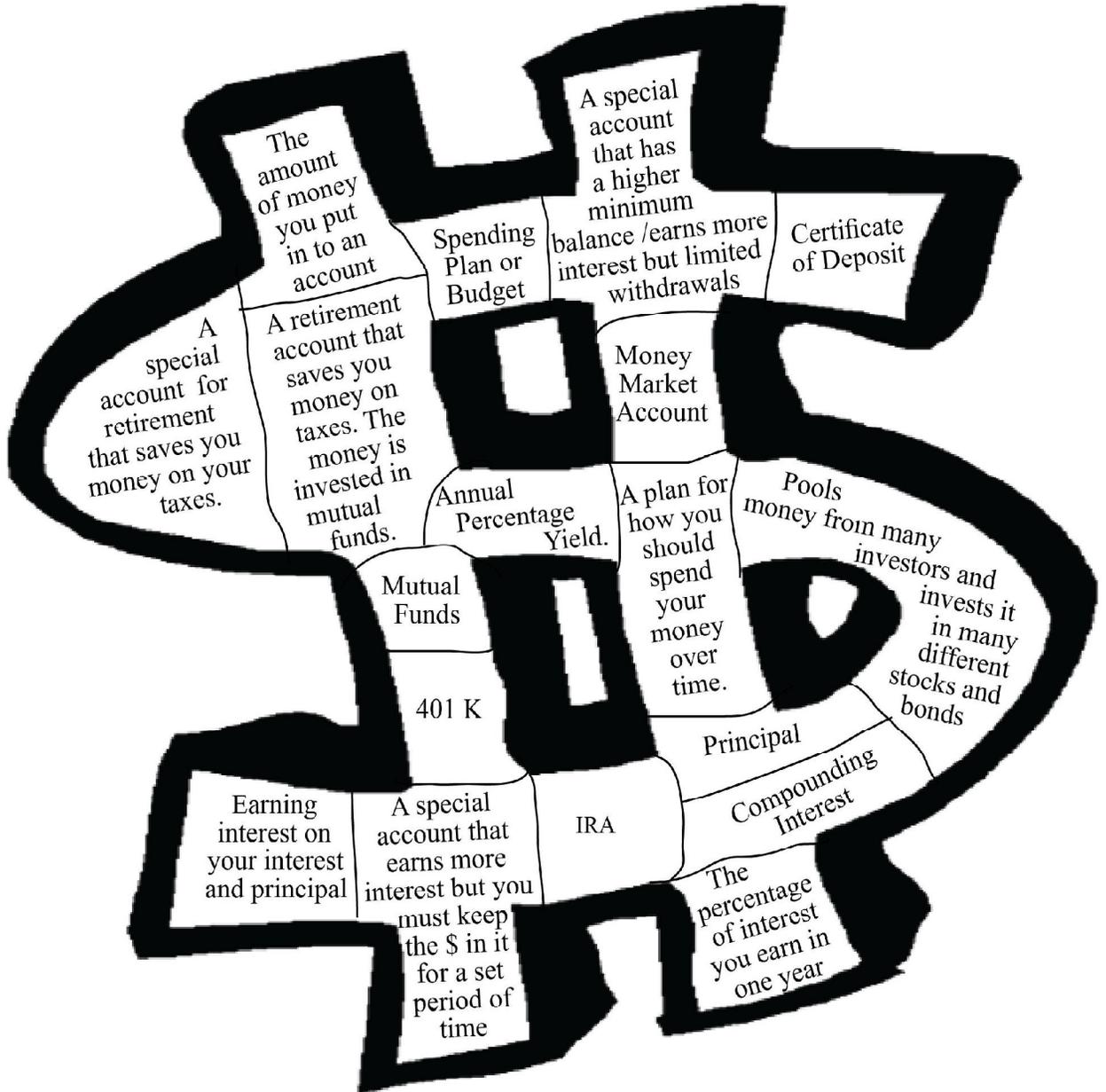
Color Coding Vocabulary Worksheet

Name _____

Date _____

Directions

Match each word to its definition by coloring them the same color.



A Penny a Day Activity

Name _____

Date _____

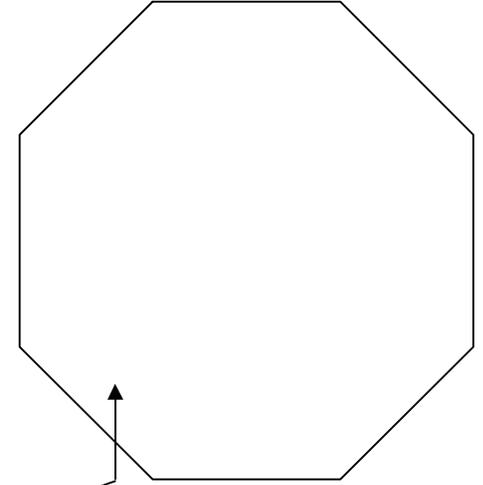
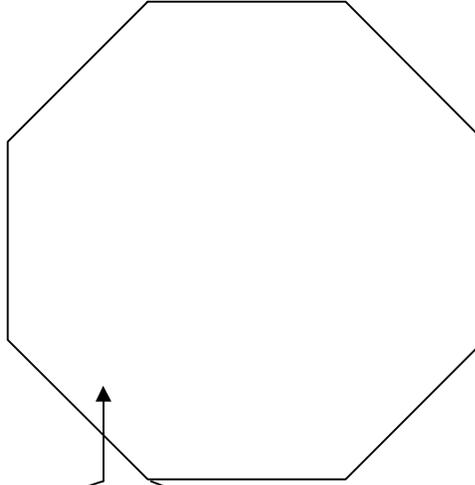
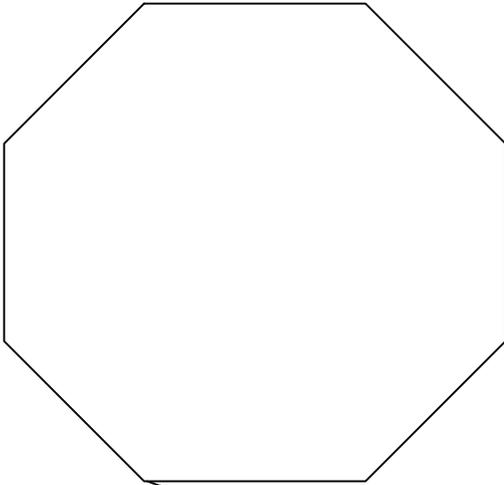
Directions

Follow teacher directions.

Day One

Day Two

Day Three



Original Principal:

Original Principal:

Original Principal:

Interest Earned:

Interest Earned:

Interest Earned:

New Principal:

New Principal:

New Principal:

Class Spending Tracker

Directions

Fill in the category names at the top of each box. List the amounts that were posted on the board in that category under the "need" heading if they are labeled needs and under "want" heading if they are labeled want. Then add up the total for needs and wants separately and then add needs and wants together to get the total for the whole box.

Checking Account														
<table border="1" style="width: 100%; border-collapse: collapse;"><thead><tr><th style="width: 50%;">Need</th><th style="width: 50%;">Want</th></tr></thead><tbody><tr><td style="height: 80px;"></td><td></td></tr></tbody></table> <p style="text-align: center; border: 1px solid black; padding: 5px;">Total for this box</p>	Need	Want			<table border="1" style="width: 100%; border-collapse: collapse;"><thead><tr><th style="width: 50%;">Need</th><th style="width: 50%;">Want</th></tr></thead><tbody><tr><td style="height: 80px;"></td><td></td></tr></tbody></table> <p style="text-align: center; border: 1px solid black; padding: 5px;">Total for this box</p>	Need	Want			<table border="1" style="width: 100%; border-collapse: collapse;"><thead><tr><th style="width: 50%;">Need</th><th style="width: 50%;">Want</th></tr></thead><tbody><tr><td style="height: 80px;"></td><td></td></tr></tbody></table> <p style="text-align: center; border: 1px solid black; padding: 5px;">Total for this box</p>	Need	Want		
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Pay Yourself What You Earned

Name _____

Date _____

Directions

We want you to think about the work that you put into this class today. Did you listen and participate? Do you take part in the activities we worked on? How much do you think I should pay you for what you did today? Write out the check below for an amount between one and one hundred dollars depending on how much effort you think you put in today.

Thomas Dellwo 6000 Euclid Avenue Syracuse, NY 13210	103 Date _____
PAY TO THE ORDER OF _____	<div style="border: 1px solid black; width: 100px; height: 30px; display: flex; align-items: center; justify-content: center;"> \$ </div> _____ DOLLAR
Syracuse Cooperative Federal Credit Union	Eastside Office 723 Westcott Street Syracuse, NY 13210 Southside Office 401 South Avenue Syracuse, NY 13204
For _____	Signature _____
<div style="display: flex; align-items: center;"> 057383645 65 7495 - 4207 </div>	

