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# *Saving and Investing*

## Saving Makes Sense

PwC's *Earn Your Future* ™ Curriculum

pwc

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# Introduction

*"The reality is that all children don't know the basics of saving and investing. It's a skill they need to be successful in our economy."*

-Education Secretary Arne Duncan, April 2011.

Recent history underscores the immediate need for youth to develop skills in math and financial literacy, and yet, current data shows there is a lack of access to curricula for students to learn:

- A 2011 survey conducted by American Express found that a majority of parents with children in high school or college gave schools below-average or failing grades in teaching responsible spending.
- A 2012 survey by Junior Achievement and Allstate Foundation showed 23 percent of teens are uncertain about their ability to budget successfully.
- Despite the fact that 13 states mandate personal finance coursework as a high school graduation requirement, there is no national legislation mandating that it be a requirement in schools.*

The enclosed lesson plan about financial literacy is designed to increase students' proficiency in financial literacy. Your expert knowledge and real-life examples, coupled with this one- hour lesson plan aligned to national standards in personal finance education, will fill a critical gap in our current education system, and better prepare the next generation of leaders to make sound financial decisions and be productive citizens.
We applaud your efforts to bolster students' understanding of concepts critical to the health of our economy and stability of our nation. Furthermore, we thank you for serving as an ambassador for PwC, reinforcing our commitment to helping students improve their skills in financial literacy and to youth education overall.

# Lesson description

Students will describe the advantages and disadvantages of saving for a short-term goal. Students will identify a short-term financial goal (i.e. purchase a new bike, attend summer camp, purchase an amusement park ticket) and develop a plan and timetable for achieving it, including ways to earn money and ways to reduce expenses.

# Grade(s)

3-5

# Lesson time

45-60 min

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# Pre-visit prep

- Review the 5-minute prep to familiarize yourself with the lesson topic and vocabulary
- Review handouts to familiarize yourself with their structure and requirements
- Obtain lesson materials listed under “Materials” section below

# Student learning objectives

Students will:

- Identify ways to share prevention practices with family and friends
- Define income, expenses, budget
- Describe the advantages and disadvantages of saving for a short-term goal
- Identify ways to reduce expenses
- Outline ways to earn an income
- Develop a plan for purchasing an expensive item

# Materials

For up to 30 students, obtain ahead of time:

## Class/group

- Chart paper
- Markers

## Student (one for each student)

- Handout A – Reducing Expenses

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# 5 Minute Prep

# Background

The foundation of fiscal responsibility is the ability to manage money in such a way that one's expenses do not outweigh one's income. This requires that a person be a sound judge of wants and needs. When we encounter something we want, we must determine if we have the resources at our disposal to purchase the item at the moment or if we should delay the purchase until we have saved enough to buy the item. When we are saving for a future expense, we should devise a plan and diligently adhere to that plan in order to obtain our goals. It is to our advantage to learn these habits at a young age.

# Vocabulary

- **Budget:** A plan for using money
- **Expense:** Something spent; the spending of money
- **Income:** Money received; money gained from labor (work), business, or property

# Sources

Background information and vocabulary adaptations based on information from:

- *Council for Economic Education 2011 Survey of the States
- Vocabulary adapted from Merriam Webster Dictionary for Kids: www.wordcentral.com

# Pre and Post Assessments

Before beginning the lesson, facilitators should introduce themselves and **distribute** the Pre-Assessment to the students. If time allows, consider conducting a mini icebreaker before the Pre-Assessment.

Note: It is highly recommended that facilitators read the questions aloud to the students and encourage students to select answers as they move through the questions. Reassure the students that the assessments are not graded tests or quizzes**,** and they do **not** need to put their names on the assessments. The assessments are a tool to measure classroom comprehension of a given module and gauge effectiveness of instructor delivery.

**Collect the Pre-Assessments** once completed.

Facilitators should teach the lesson to the students and administer and collect the Post-Assessment at the end of class**, keeping in mind the same considerations outlined above**. Again, students do **not** need to put their names on Post-Assessments.

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# Lesson activities

## Greeting

**Say:** Hello everyone. My name is _____. I am excited about being here today because we are going to talk about something we all like to have—money!

## Activity A – What to do with our money (10 minutes)

### Materials

Class/Group

- Chart paper OR blackboard/whiteboard/overhead projector
- Markers

**Say:** I am sure that everybody in here would like to have enough money to buy the things they want and need and still have some left over. Today we are going to think about what we do with our money and how we can be responsible with our money.

**Ask:** There are really only two things we do with our money. Does anyone have any idea what those two things are?

**Select** one student to share an answer.

**Say:** The two things we do with our money are keep it or give it away. When we keep our money, we are saving. When we give our money away, we are usually spending, but there are times when you might give it away like a gift or charity.

**Ask:** If I were to give each of you $100, what are some things you would buy?

**Write** "buy" on the board and list their ideas underneath.

**Select** students to share ideas.

**Ask:** Okay, if I were to give each of you $100, what are some things you would save for?

**Write** "save" on the board and list their ideas underneath.

**Select** students to share ideas.

**Ask:** Suppose there is something you wanted to buy like a new video game. What are the advantages of saving for this item?

Note: Possible responses for "advantages" might include: if you save and buy something with your own money then it is really "yours", you can get something you really want instead of settling for something else; possible responses for "disadvantages" might include: you might have to wait a long time to get it, you won't be able to buy other things that you want because you have to save, etc.]

**Select** 2-3 students to share ideas.

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**Write** their ideas on the board.

**Ask:** What might be some disadvantages of saving for this item?

**Select** 2-3 students to share ideas.

**Write** their ideas on the board.

**Say:** We are going to spend our time today talking about saving. So even though it may seem that there are some disadvantages to taking the time to save for something, in the long run I think you will find that saving is the way to go.

**Say:** Now, we are going to talk a lot today about saving for things we might want to get. However, there is another really good reason to save money.

**Ask:** Does anyone have an idea of another reason we might save money?

**Select** 1 student to share an idea.

**Say:** Another reason you want to save money is for an emergency. There are all kinds of unexpected things that come up and we need to make sure we have money set aside to help us take care of possible expenses.

## *Activity B – Reducing our expenses to increase our savings (15 minutes)*

### *Materials*

Students (one per student)

- Handout A – Reducing Expenses

**Say:** In order to be able to save money, two things have to be happening at the same time.

**Ask:** Does anyone want to guess what two things I am talking about?

**Select** 1-2 students to share ideas.

**Say:** In order to save money, you have to first earn some money. The second thing that you must do is reduce your spending. So there are two terms you should know.

**Write and Say:**

- *Income* is the money you bring in or earn
- *Expense* is the amount of money that you take out or spend. A *Flexible Expense* is money that can be adjusted or eliminated. A *Fixed Expense* is the cost of goods and services that is paid regularly.

**Ask:** What are some things that you spend money on?

**Select** 1-2 students to share ideas.
**Note:** If students are reluctant to answer, encourage the conversation by asking if anyone has bought a drink or a snack recently. This is an example of an expense they may have.

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**Ask:** Why do you think it is important to keep an eye on your expenses?

**Select** 1-2 students to share ideas.

**Say:** Sometimes we spend money on things and we have no idea where our money went. If we find ourselves in that situation, we probably are not doing a very good job of controlling our spending. If we figure out some ways to cut expenses, we can put that money towards our savings instead.

**Say:** I am going to give you a copy of someone's spending habits for one month. I want you to look at how this person spends her money and how much she has left over at the end of the month. Then I want you to figure out how she could do a better job of managing her spending. Figure out where she could cut or reduce some expenses. Once you figure that out, you should be able to tell me how much more she could save each month.

**Distribute** Handout A.

**Read** the directions aloud.

**Say:** The first column has the date. The second and third columns show you how this person spent her money and how much she spent. The fourth column shows this person's income, meaning the money she has coming into her account. The last column shows you her balance—or how much she had left over.

**Ask:** Does everyone understand what they are supposed to do?

**Answer** any remaining questions.

**Say:** I will give you 7 minutes to work on this and then we will share our ideas.

**Allow** students 7 minutes to review the handout and come up with ideas for reducing expenses.

**Say:** Alright, our time is up. Let's see what you came up with.

**Ask:** Do I have any volunteers who would like to share what they noticed and their ideas for helping this person manage her spending?

**Select** 2-3 students to share their ideas.
Note: If students seem stuck, encourage them to look at the second column. Ask them if there are things that aren't necessary that she might be able to give up in order to save money.

**Say:** Very good. Now remember that I said there were two things that must happen in order for you to be able to save. You have to reduce expenses and you have to earn some income. We just talked about reducing expenses, so now let's shift our focus to earning income.

## *Activity C – Earning an income (10 minutes)*

### *Materials*

Class/Group

- Chart paper OR blackboard/whiteboard/overhead projector
- Markers

**Ask:** How many of you earn an allowance?

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**Scan** the room and count the number of raised hands.

**Ask:** How many of you ever get money for your birthday or for helping out with some task?

**Count** the number of raised hands.

**Say:** Okay, so there are some ways that you are able to get some sort of income. I am sure that you all probably also have some sort of expenses—like going to the movies, or buying games or books.

**Say:** What I would like for you to do is take out a sheet of paper and fold it in half. On one half, I want you to brainstorm all the possible ways you could earn money. On the other half, I want you to brainstorm ways that you could reduce your expenses – like only buying one item instead of two or waiting until something is on sale before you buy it.

**Say:** I am going to give you 3 minutes to do this.

**Ask:** Does anyone have any questions?

**Allow** students to write ideas for 3 minutes.

**Say:** Okay, I want us to focus on the ideas you listed for ways to earn money. First, I need a volunteer to come and write down all the ideas we are about to share.

**Select** 1 student to write.

**Say:** Raise your hands if you have an idea on your list you want to share. I will call on you and our volunteer will write down your idea.

**Select** students to share ideas.

**Repeat** each idea slowly after the student says it so that the recorder can write it on the board.

**Continue** this process until a variety of ideas have been recorded.

**Say:** This looks like a great list.

**Say:** Now let's hear some ideas that you had for ways you might be able to reduce your expenses and save money.

**Select** students to share ideas.

**Instruct** your student recorder to write this list next to the first list.

**Repeat** each idea slowly after the student says it so that the recorder can write it on the board.

**Have** the volunteer return to his/her seat.

**Say:** Now let's go through each of these ideas and write down how much money you think you could earn for each one.

**Read** the first item on the "Earn Money" list.

**Ask:** How much money do you think you could earn for this?

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**Select** 1 student to share an idea.

**Ask:** Does everyone agree?

**Allow** for additional discussion if necessary.

**Write** the agreed-upon amount next to the first item.

**Repeat** this process until all items on the list have dollar amount assigned.

**Say:** I think you all have generated some great ideas. It looks like you could earn a good bit of money if you put some of these ideas into action. If you combine your ideas for earning money with your ideas for reducing your expenses, you can save quite a bit! You may want to go home and share some of these with your parents, grandparents, aunt, uncle, or other adult you live with.

**Say:** So far we have talked about advantages and disadvantages of saving. We have talked about reducing our expenses and ways to earn an income. Now we are going to put it all together for one final activity.

# *Activity D – Putting it all together (20 minutes)*

## *Materials*

### Students

- Chart paper (1-2 sheets per group ~ 5 groups)
- Markers (1 pack per group ~ 5 groups)

**Say:** For this activity, you all are going to work in groups. Each group is going to be assigned a particular item that you want to purchase. I want you all to develop a plan for saving for this item so that you can purchase it in three months. That means you have approximately 12 weeks to get enough money to purchase your assigned item.

**Say:** Let's go over the things you need to consider when you design your plan.

**Write (and say):**

- Total cost of the item
- Time we have to save (3 months/12 weeks)
- Ways we can make money
- Ways we can reduce expenses

**Say:** When you have come up with your plan, you are going to write it on your chart paper and present it to the whole class. First, let's get into groups.

**Assign** students to groups in whatever manner you feel is best (counting off, proximity, choose their own groups). Try to have no more than 5-6 students in a group.

**Say:** You will have 10 minutes to work. I am coming around to assign each group an item and tell them how much it costs.

**Assign** one of the following items to each group:

- New iPod ($100)
- A new bike ($100)

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- New video game ($75)
- Trip to the movies (and lots of snacks) for you and friends ($100)
- iTunes card ($75)

**Distribute** chart paper and markers to each group.

**Allow** students 7 minutes to work.

**Say:** We have 3 more minutes. If you haven't started writing ideas on your chart paper, you may want to start doing that now.

**Allow** students 3 minutes to work.

**Say:** Time is up.

**Ask:** Is there any group that would like to present their plan first?

**Select** one group to present.

**Ask** clarifying questions, as necessary.

**Continue** to have each group present until all groups have presented.

**Say:** Very nicely done.

**Ask:** What did you all notice? What things were similar? Different? Do you think any group had really creative ideas?

**Select** 2-3 students/groups to share.

**Say:** This activity really shows that you all have learned a lot today about saving and ways to reduce your expenses. Keep in mind that we also want to remember that we need to have money saved for emergencies. Let's take a minute to wrap up before we leave.

## *Closing reflections (5 minutes)*

**Say:** I want you all to take a minute to think about something that you would really like to purchase. This can be for you or for someone else. I then want you to think about how you could earn some money to buy this item. Very quickly before we go, jot down how much you think you need to start saving each week in order to get the item you want.

**Allow 3** minutes for students to jot down their ideas.

**Say:** It has been really fun working with you. I want you to remember everything we talked about today so that you can work toward a goal and increase your savings.

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# Evaluation/assessment of student learning

## During lesson/in-class

- Students identify advantages and disadvantages of saving
- Students analyze expenses and determine ways to reduce expenses
- Students write a proposal indicating ways to earn an income
- Students develop a plan to save for an expensive item

## Ideas for post-lesson assessments

- Students take a quiz on key terms from the lesson: income, expense, and budget
- Students write a proposal to the principal detailing a plan for purchasing a desired item for the school (school dance, school-wide pizza party, playground equipment, school trip)
- Students create a board game based on saving and spending. The object of the game should be to save more than other players in order to reach the finish line

# Extensions/enrichment

- Students can visit the LifeTuner website to learn about saving for a goal (www.lifetuner.org/topics/25-saving/tools/saveforagoal#).
- Students can plan a future ice cream party for the class. Students can research the cost for the party and then devise a plan for saving for the party. Students can carry out the agreed-upon plan and eventually have the party when the goal has been reached.
- Students can track their spending habits for one month. At the end of the month, students can review their expenses and determine ways to reduce expenses.

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