Group Handouts 73

Answer Key 96

Glossary with key vocabulary 105

Standards met by lesson 107

Topic: Savings Options

Time Required: 50 minutes   
*(excluding* **Extended Exploration***activities)*

Learning Objectives:

*Students will be able to…*

* Evaluate and differentiate a variety of banking and savings options
* Identify the benefits of creating a   
  savings account
* Understand compound interest and   
  how it can increase savings

Supplies:

* Projector (for teacher presentation slide)
* Chart paper and markers for student presentations
* Loose-leaf for Wrap Up activity
* Access to the Internet **(optional)**

Preparation:

* Make copies of student handout and group handouts
* Set up projector with presentation slide
* Set up individual or group computers with access to the Internet (**optional**)

Student Handout:  
*(found in* **Student Guide***)*

* ***Opening a Savings Account***

group handouts:

* ***Commercial Bank #1*** (1 per group)
* ***Commercial Bank #2*** (1 per group)
* ***Credit Union*** (1 per group)

Teacher Presentation Slide:

* ***Understanding Compound Interest Warm Up***

Essential Questions:

* *What are the benefits of saving   
  with a financial institution?*
* *What savings option is best for   
  a particular situation?*

Assessment Activities:

**Pre-Assessment:**

* **Understanding Compound   
  Interest** activity

**Post-Assessment:**

* **Opening a Savings Account** activity
* **Opening a Savings Account** presentation
* **The Perfect Bank** activity

Instruction Steps

Warm Up

Understanding Compound Interest [10 minutes]

To begin the lesson, provide students with a math problem from the ***Understanding Compound Interest Warm Up*** slide to help them understand compound interest. Explain the compound interest formula to students: In order to find the amount of money that you’ll make after *n* years, you have to add 1 plus the interest rate (as a decimal – represented by *r* on the slide) over the number of years that you leave the money in the account (represented by *n* on the slide). Multiply the number of times the interest is compounded per year (represented by *n* on the slide) by the number of years for which the amount is deposited (represented by *t* on the slide). Use the *nt* product as an exponent for your first sum. Then multiply that by the principal (or the initial amount that you put in savings – represented by *P* on the slide).

For example: if you want to find the amount of money in your savings account after one year, assuming you originally deposited $100, and with an interest rate of 5% compounded annually, you compute the following: Amount = $100(1 + .05/1).

After reviewing the answers, discuss:

* *When we compound interest annually, notice that each year, my interest is added to my principal, and we find the interest of that new, bigger number.*
* *What would happen if I made the interest rate higher?* (more money accumulated in interest) *Lower?* (less money accumulated in interest)
* *What would happen if I started with a higher principal?* (more money accumulated in interest) *Lower?* (less money accumulated in interest)

Grade-Level Modification:

Beginner: Build background knowledge about compound interest by showing *Compound Interest: How to Make a Million Bucks*. Build additional background knowledge about the services financial institutions offer by showing *Take It to the Bank*. See additional readings and resources in Money Smart Tip below.

MONEY SMART TIP!

Teach your students more about compound interest by discussing “10 Things You   
Need to Know About Compound Interest” from *U.S. News & World Report*. [**http://money.usnews.com/money/blogs/my-money/2012/09/20/10-  
things-you-need-to-know-about-compound-interest**](http://money.usnews.com/money/blogs/my-money/2012/09/20/10-things-you-need-to-know-about-compound-interest)

group Exploration

Opening a Savings Account — Decision Making [15 minutes]

Split students into small groups of three to five for this activity. Each group will receive a set amount of money and will have a financial goal. Distribute the ***Opening a Savings Account*** student handout. Have each group write its amount of money and its goal on the top of its handout. The groups are:

* **Group 1 – $10,000.** This money has been sitting in a checking account, not earning interest, and you’re just hoping to make it start earning some interest.
* **Group 2 – $5,000.** You’re hoping that you will have $10,000 to buy a car in a few years.
* **Group 3 – $3,000.** This is your emergency fund, which you’ve been keeping in your savings account. You need to be able to access it if there’s an emergency.
* **Group 4 – $150.** You just got your first paycheck for your summer job and you want to make sure that you don’t spend it all right away.

Grade-Level Modifications:

Beginner: Provide only one or two options for students, using numbers that are   
easy for interest calculations.

Advanced:Allow students to determine their own scenario, including the amount of   
money they would like to put into the savings account.

Provide groups with a copy of the group handouts representing offerings from *Commercial Bank #1, Commercial Bank #2*, and the *Credit Union*.In their groups, students should read through the variety of savings options and select the best financial institution and account for their scenario. As they’re working through their decision, they should be filling out the ***Opening a Savings Account*** student handout. See a sample of a completed student handout on page 101 in the **Answer Key**.

Grade-Level Modifications:

Beginner: Reduce the number of banking options and/or account options.

Advanced:Allow students to look up additional banking and account options online.

Opening a Savings Account – Presentation [15 minutes]

Once groups have made their decision, they should prepare a group presentation about it. After a short preparation period, allow students to share their presentations with one another.

Check for understanding by asking the following questions:

* *What are the differences between some of the accounts that were available? Why did some groups choose one type of account and other groups choose another?*
* *How did the financial institutions themselves differ? What institution might you choose to create your first savings account? Why?*
* *Why is it important to save money with a financial institution that is insured? What might happen if that bank is not insured?*

Wrap Up

The Perfect Savings Account [10 minutes]

Have students take out a sheet of loose-leaf paper, on which they will quick-write about the perfect savings account. This activity will help students understand bank accounts from the perspective of a financial institution, rather than a consumer.

Prompt them with the following questions: *Describe the perfect savings account. What is the minimum initial deposit? What are the terms, fees, and interest rate? Now consider: Why can’t this “perfect” bank account exist? (For example: what would happen if a bank provided high interest rates on all of its accounts? Or, what would happen if people could earn interest and have protection on any amount of money, as opposed to the “up to $250,000” offered by most banks?)* Ask students to use vocabulary that they learned in this lesson to demonstrate their understanding of savings options.

Extension Ideas

**Note:** Use the following ideas to extend financial literacy concepts throughout the school year within core content areas through English Language Arts, Math, Social Studies and Economics, and Technology activities, projects, and discussions. Duration of activities will vary.

English Language Arts

* **Writing Prompts:**
* Imagine that you are about to embark on your first job. You will receive a biweekly paycheck of $950 once taxes and deductions are taken out. Explain your savings   
  plan for this period of your life.
* **Additional Readings/Resources:**
* *Set a Goal: What to Save For* by the Consumer Federation of America: Helpful advice for saving for a variety of things, like a car, a house, or retirement. <http://www.americasaves.org/for-savers/set-a-goal-what-to-save-for>
* *Make a Plan: How to Save Money* by the Consumer Federation of America: Suggestions for saving strategies and budgeting. <http://www.americasaves.org/for-savers/make-a-plan-how-to-save-money>
* *Take It to the Bank* by BizKids: A video overview of the services that financial institutions offer. (Time of video: 1:17 minutes) <http://bizkids.com/episode/take-it-to-the-bank>
* *Compound Interest: How to Make a Million Bucks* by BizKids: A video episode about how it is possible to make a lot of money through taking advantage of savings. (Time of video: 1:55 minutes) <http://bizkids.com/clip/de-compound-interest>

Math

* **Activity/Project Ideas:**
* Imagine that you receive a $200 gift from a family member. Research savings accounts at a local bank. Determine how much interest you would earn on your $200 savings account deposit if you allowed it to accumulate compound interest over 5, 10, 15, and 20 years.

Social Studies and Economics

* **Activity/Project Ideas:**
* Learn more about the Bank Reform Act of 1933, which ultimately resulted in   
  changes for depositors in the safety of their deposits in federally insured banks.   
  Describe the differences between banks before the Bank Reform Act of 1933   
  and after. Explain the impact of the act.

Technology

* **Online Games/Tools:**
* *Compound Interest Calculator* by the U.S. Securities and Exchange Commission:   
  A tool to calculate how much your money can grow with compound interest. <http://www.investor.gov/tools/calculators/compound-interest-calculator#.U_3hdLywJ78>
* *Test Your Money Smarts* by the U.S. Securities and Exchange Commission:   
  An online quiz to test knowledge of saving and investing concepts. <http://www.investor.gov/tools/quizzes/test-your-money-smarts#.U_3hz7ywJ78>
* *The Great Piggy Bank Adventure* by the Disney Corporation: A game that   
  helps students set a financial goal and carry through with their plans. <http://piggybank.disney.go.com/game/>

Lesson Overview

Compounding knowledge about financial institutions, learners will examine how to select a **bank**   
by researching and assessing competing factors such as fees, services, and **interest rates** offered   
for savings products.