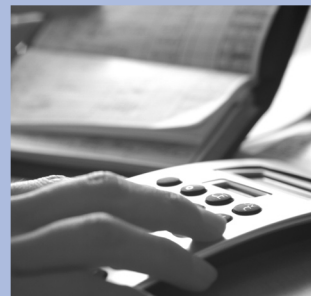


MONEY MANAGEMENT

ACTIVITY 3



1 + 1 = Saving

RECOMMENDED TIME

Allow 50-60 minutes. Required time may vary depending on the audience.

OBJECTIVES

Participants will:

- Compare and contrast types of interest.
- Understand the impact of saving.
- Identify ways to find money for saving.
- Recognize the regulations governing savings.

MATERIALS NEEDED

- Overhead projector and screen*
- Overhead transparencies and handouts for the activity
- Flipchart, blank transparencies, or white board
- Overhead (or other appropriate) marking pens

ADVANCE PREPARATION NOTES

Review the activity plan. Think about the audience, and decide whether to present the total activity or to use parts of this activity in combination with other activities.

For clarity, use print instead of script when writing on a flipchart, white board, or transparency.

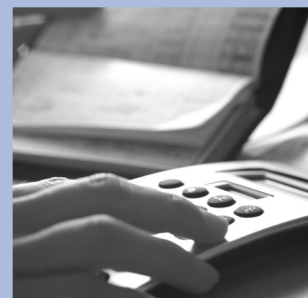
The suggested dialogue in the delivery notes does not always mirror the wording on a transparency. Try to vary the dialogue, rather than reading transparencies verbatim.

This activity uses handouts. Have sufficient copies for all participants; a few extras provide good insurance.

* If an overhead projector isn't available, consider making photocopies of the overhead transparencies for handouts instead.

MONEY MANAGEMENT

ACTIVITY 3 - DELIVERY NOTES



Visual Aids

1 + 1 = Saving

Presentation Opening

- Welcome the participants.
- Introduce yourself briefly.
- If this is the first meeting with the class or group, do a brief round of introductions by everyone.
- When introducing yourself, print your name where participants can see and refer to it during the session. Some people may be a little nervous and may not remember your name. Just as you want to use their names, encourage them to call you by your name.

Activity Overview

Review the topics for discussion in this activity:

Returns on Savings

- Interest
 - ⊗ Rule of 72
 - ⊗ Simple
 - ⊗ Compound
- Impact
 - ⊗ Interest Rates

Savings Regulation

- Federal Government Insurance
 - ⊗ FDIC
 - ⊗ NCUA
- Truth in Savings Act

Remind participants that most of the time the term “interest” means how much we have to pay someone else for the use of a good or service.

- For example, we borrow money from the bank, and we have to pay them interest for the privilege of having the money.
- If we buy a television set from an appliance store, we may agree to pay the store “interest” for the privilege of using the television set before it is paid for.

However, in today’s session, we want to switch and look at interest from our vantage point. If we put our money in a savings account or some other type of savings instrument, we are loaning our money to someone else, and for that, we expect to receive interest for the use of our money.

Note that interest is called dividends if you save your money at a credit union.

Begin by sharing with participants The Rule of 72. This is a formula to use if they ever wonder how long it will take to double a sum of money.

MONEY MANAGEMENT

ACTIVITY 3 - DELIVERY NOTES



Rule of 72: Divide 72 by the expected interest rate to determine the number of years it will take for an amount of money to double.

Example: Assume you get 5% interest.
 $72 \text{ divided by } 5 = 14.4 \text{ years}$

Use **“Overhead 1: Types of Interest”** to introduce the two types of interest.

Use **“Handout 1: Simple Interest vs. Compound Interest”** to distinguish between the two types of interest.

- Remind the participants that financial institutions have varying ways of calculating interest rates (daily, monthly, etc.).
- Although banks are required to explain their interest calculation process, it is always best to ask the bank staff, in the beginning, how they calculate interest. The bank staff should be more than willing to illustrate what would happen to your money using their calculation system.
- Remind the participants that it is not only the interest rate that matters but also how the interest rate is calculated (daily, monthly, annually, or some other method).

Use **“Handout 2: Impact of Returns on Savings.”** Stress that the key to any growth in savings is to treat it as special. One should not withdraw money from the account unless absolutely necessary. Further, this chart demonstrates why it is so important to start saving early for long-term goals, such as retirement.

Ask participants where they might find extra money to save every month or over the course of a year. If no one mentions it, suggest that reducing energy consumption and other “green” practices can go a long way toward freeing up money for savings.

Distribute copies of **“Handout 3: Be Green and Save Green.”** Allow participants time to review the activities on the handout. Ask if anyone is surprised by the amount of money they could save by following these green practices.

Use **“Overhead 2: Savings Regulations”** to explain various government regulations that govern financial institutions and provide assurance that our money will be managed with the utmost care. If participants wonder why the year had to be defined as 365 days, you can let them know it was so all financial institutions would count the same number of days, including holidays.

Visual Aids

Overhead 1

Types of Interest

Handout 1

Simple Interest vs.
Compound Interest

Handout 2

Impact of Returns
on Savings

Handout 3

Be Green and
Save Green

Overhead 2

Savings Regulations

MONEY MANAGEMENT

ACTIVITY 3 - DELIVERY NOTES



Closing

Take a few minutes to emphasize the need to save on a regular and consistent basis, in order to provide financial security in the short term and for long-term goals, such as retirement.

Thank everyone for their participation, and encourage them to return for additional sessions. If such sessions are planned, you might provide a “sneak preview” of any activity to come.

Visual Aids

MONEY MANAGEMENT

ACTIVITY 3 - OVERHEAD 1



TYPES OF INTEREST

Which type of return on your money would you prefer?
What's the difference?

TYPE 1	TYPE 2
<p>Amount</p> <p>x</p> <p>Interest</p> <p>x</p> <p>Time</p> <p>=</p> <p>Returns</p>	<p>Amount</p> <p>+</p> <p>Earned Interest</p> <p>=</p> <p>New Amount</p> <p>x</p> <p>Interest</p> <p>x</p> <p>Time</p> <p>=</p> <p>Returns</p>

MONEY MANAGEMENT

ACTIVITY 3 - HANDOUT 1



SIMPLE INTEREST vs. COMPOUND INTEREST

SIMPLE

- Formula:
 $\text{Amount} \times \text{Annual Interest} \times \text{Time} = \text{Returns}$
- Interest is calculated ONLY on the amount of principal (amount deposited), not on interest earned.
- Usually calculated yearly.

COMPOUND

- Formula:
 $\text{Amount} + \text{Earned Interest} \times \text{Interest} \times \text{Time} = \text{Returns}$
- Interest is calculated on BOTH principal (amount deposited) and any previous interest earned.
- Interest can be compounded daily, monthly, or yearly (or by some other method determined by the institution).

MONEY MANAGEMENT

ACTIVITY 3 - HANDOUT 2



IMPACT OF RETURNS ON SAVINGS

Have you ever thought about the power of saving your money in a bank? Look at this chart, which shows what happens at several different rates to **\$100 dollars** in an account when no money is withdrawn and **interest is compounded yearly**. After how long and at what rate would that \$100 double? Triple? Does this show that it is wise to put money in savings?

Compound Interest Table

Periods	1%	3%	5%	6%	8%
1	\$101.00	\$103.00	\$105.00	\$106.00	\$108.00
2	102.01	106.09	110.25	112.36	116.64
3	103.03	109.27	115.76	119.10	125.97
4	104.06	112.55	121.55	126.25	136.05
5	105.10	115.93	127.63	133.82	146.93
6	106.15	119.41	134.01	141.85	158.69
7	107.21	122.99	140.71	150.36	171.38
8	108.29	126.68	147.75	159.38	185.09
9	109.37	130.48	155.13	168.95	199.90
10	110.46	134.39	162.89	179.08	215.89
11	111.57	138.42	171.03	189.83	233.16
12	112.68	142.58	179.59	201.22	251.82
13	113.81	146.85	188.57	213.29	271.96
14	114.95	151.26	197.99	226.09	293.72
15	116.10	155.80	207.89	239.66	317.22
16	117.26	160.47	218.29	254.04	342.59
17	118.43	165.28	229.20	269.28	370.00
18	119.61	170.24	240.66	285.43	399.60
19	120.81	175.35	252.70	302.56	431.57
20	122.02	180.61	265.33	320.71	466.10

MONEY MANAGEMENT

ACTIVITY 3 - HANDOUT 3



BE GREEN AND SAVE GREEN

Saving money for your short-term financial security and your long-term financial goals is essential, but where do you find the money to save? Here are some “green” ideas for finding that money.

GREEN PRACTICE	POTENTIAL SAVINGS/ YEAR
Adjust your thermostat up by three degrees in summer and down by three degrees in winter	\$114
Drive a car that gets 35 mpg instead of 20 mpg	\$884
Telecommute, carpool, or take public transportation one day per week	\$215
Unplug electronic devices and appliances when not in use	\$94
Buy an Energy Star certified appliance	\$50
Use compact fluorescent light bulbs (CFLs)	\$90
Plant trees around your house to provide shade and to cool your house in the summer	\$200
Take reusable bags with you to the grocery store*	\$31
Make your own natural cleaning products	\$580
Take your lunch to work instead of dining out	\$2,250
TOTAL	\$4,508

* Some stores offer a credit for using your own bags.

Imagine how much money you could put toward retirement or other long-term goals if you started saving \$4,508 per year!

Sources:

Bach, David. *Go Green, Live Rich*. Broadway, 2008.

<http://www.energysavingfluorescentlights.com/page/1300166>

MONEY MANAGEMENT

ACTIVITY 3 - OVERHEAD 2



SAVINGS REGULATIONS

Federal Government Insurance

Deposits are potentially insured up to \$100,000.

- FDIC (Federal Deposit Insurance Corporation)
- NCUA (National Credit Union Administration)

Truth in Savings Act

Financial institutions must disclose the following information about their consumer savings accounts:

- Fees on accounts
- Interest rate
- General terms and conditions

Defines the year as 365 days for purposes of determining the annual percentage rate of interest.