

# MONEY MANAGEMENT

## ACTIVITY 2



### Saving for a Rainy Day

#### RECOMMENDED TIME

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

#### OBJECTIVES

Participants will:

- Identify reasons to save.
- Recognize concerns and issues when saving.
- Identify places to save.

#### 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.

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## ACTIVITY 2 - DELIVERY NOTES



### Saving for a Rainy Day

#### 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.

Use **“Overhead 1: Saving for a Rainy Day”** to give an overview of the session topics. Review the circular flow of the three topics for discussion.

- Ask for a show of hands as to how many people have heard the saying, “Saving for a Rainy Day.”
- Ask if anyone can share the meaning of the quote with the group.
- Responses may vary, but should reflect that a person postpones spending so he or she will have something “for a rainy day”—when one might not be able to work or might have an unexpected cash need (for whatever reason).
- Ask participants if they are willing to share ways they have found to save some of their income.
- Encourage participation, but don’t pressure anyone. Stress that we can all learn from one another.

Ask each participant to note on a slip of paper two reasons why they save some of their money (income).

- Allow a few minutes to complete the task.
- Ask participants to share their reasons.
- Record responses on a flipchart, blank transparency, or white board.

Use **“Overhead 2: Reasons to Save”** to correlate individual participant responses to overhead items.

- Ask participants whether they can associate their individual reasons with the four categories in the list.
- Move around the group, and put tally marks on the overhead to indicate the correlation.
- Discuss each of the categories, allowing participants to provide input. Pay special attention to categories that do not receive a tally mark.

Ask the participants what kinds of questions they ask themselves before they decide to save some of their money. Responses will vary but might reflect a

### Visual Aids

#### Overhead 1

Saving for a Rainy Day

#### Overhead 2

Reasons to Save

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## ACTIVITY 2 - DELIVERY NOTES



lack of confidence in turning money (income) loose.

Use **“Handout 1: Concerns and Issues When Saving”** as the basis for a group discussion.

- The objective of the matching exercise is to identify the definition of each concern.
- Ask participants to identify the concern that is most important to them.
- Record the responses, and make a general comparison about the most important and least important concern.

Use **“Handout 2: Places to Save”** to review the five examples.

Distribute **“Handout 3: Where to Save?”** to each participant.

- Using **Handout 2** as a reference, work through the situations in the handout, and determine the saving solution for each.
- **Answers:**
  - Situation 1 – Insurance
  - Situation 2 – Money Market Account
  - Situation 3 – Savings Account
  - Situation 4 – Certificates of Deposit (CDs)
  - Situation 5 – Savings Bonds

Use **“Overhead 3: Looking at Places to Save”** as a summary of the types of savings. Use the descriptions provided in **“Handout 2: Places to Save”** to help rate each place to save. Ratings will be subjective.

Encourage the participants to gather as much information as possible about their various saving options before making any decisions.

### Closing

Close the session by asking the participants the following question: **What does it really mean to you to save?**

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

### Handout 1

Concerns and Issues  
When Saving

### Handout 2

Places to Save

### Handout 3

Where to Save?

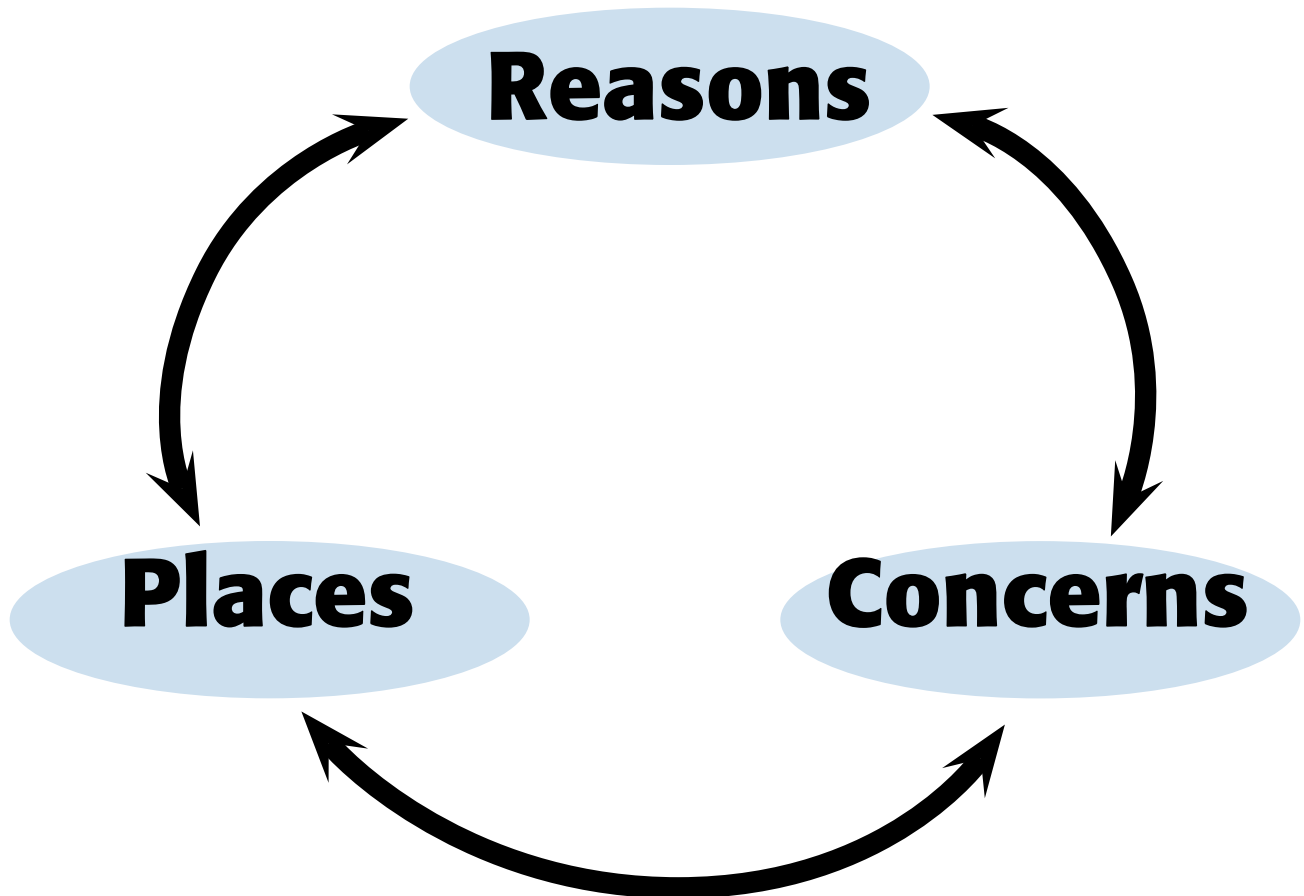
### Overhead 3

Looking at Places  
to Save

**MONEY MANAGEMENT**  
**ACTIVITY 2 - OVERHEAD 1**



**SAVING FOR A RAINY DAY**





## **REASONS TO SAVE**

- **Provide for unexpected emergencies.**
- **Purchase expensive items in the future.**
- **Ensure retirement.**
- **Plan for investment opportunities.**

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## ACTIVITY 2 - HANDOUT 1



### CONCERNS AND ISSUES WHEN SAVING

Draw a line between the concern and the correct description.

#### CONCERNS

#### DESCRIPTION

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**Safety**

Having limits placed on a saving option. May involve such things as making a large initial deposit or maintaining a minimum balance.

**Restrictions**

Payments to the government based on the amount of interest income received.

**Liquidity**

Being able to withdraw savings quickly with little or no cost.

**Earnings**

Having savings insured through government backing.

**Taxes**

Receiving returns on saving options. Two examples are interest and dividends.

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## ACTIVITY 2 - HANDOUT 2



### PLACES TO SAVE

PLACE	DESCRIPTION
<b>Savings Accounts</b>	<ul style="list-style-type: none"><li>• May be protected by the FDIC (Federal Deposit Insurance Corporation), which provides insurance from the government.</li><li>• Low rate of return.</li><li>• Easy access to money.</li><li>• Simplest way to save.</li><li>• May require a minimum balance to open or maintain the account.</li></ul>
<b>Money Market Accounts</b>	<ul style="list-style-type: none"><li>• May be protected by the FDIC.</li><li>• Type of savings account.</li><li>• Usually higher interest rates than savings accounts.</li><li>• Minimum balance requirements.</li><li>• Easy access to money through a limited number of checks.</li></ul>
<b>Certificates of Deposit (CDs)</b>	<ul style="list-style-type: none"><li>• May be protected by the FDIC.</li><li>• Timed deposits. (You choose the length of time to leave your money in the account.)</li><li>• Penalty if withdrawn prior to maturity date.</li><li>• Usually a higher rate of return than other forms of savings.</li></ul>
<b>Savings Bonds</b>	<ul style="list-style-type: none"><li>• Government issued, but available through banks.</li><li>• Usually free from state and local taxes.</li><li>• Risk free; backed by the federal government.</li><li>• Nontransferable.</li></ul>
<b>Insurance</b>	<ul style="list-style-type: none"><li>• Provides protection against loss; policies available for health, life, auto, fire, theft, income, or credit card protection.</li><li>• Long-term policies may include a cash value or savings provision.</li><li>• Costs vary widely.</li><li>• Available through licensed insurance agents, banks, and other sellers.</li><li>• Nontransferable.</li></ul>

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## ACTIVITY 2 - HANDOUT 3



### WHERE TO SAVE?

- Savings Accounts
- Money Market Accounts
- Savings Bonds
- Certificates of Deposit (CDs)
- Insurance

#### Directions:

Review the situations below. Using the bulleted saving options, identify a potential place to save.

#### Situation 1

Mary wants to save some of her money from each paycheck. However, Mary is responsible for the care of her elderly parents and needs to make sure they are provided for in the event that she loses her job or becomes injured and cannot work for an extended period of time. Where could Mary put her money to ensure that her parents will be taken care of?

#### Situation 2

Henry has been reading recent newspaper financial advertisements. Henry has a savings account, but it does not pay very high interest. He would like to transfer some of the money from his savings account to a place where it can earn higher returns (interest), but he also wants his money to be safe and very accessible. He has worked hard to earn the income he has saved, so he does not want to risk losing it. What is the best saving option for Henry?

#### Situation 3

Joey has had a yard-mowing business for two summers. He is finally making a profit. He has even paid off his lawn equipment. Although his profits are small, Joey would like to start placing his money somewhere where it will receive interest, be insured, and be available should his business face an emergency. Where is the best place for Joey to save?

#### Situation 4

It is the end of the summer, and Joey is closing his lawn-mowing business for the season. He has had a good season. Although Joey likes his current account, he would like to place a limited amount of his money where it will earn higher interest, yet still be insured. He has talked with the staff at his local bank, and they have shared several possibilities. One option looks very good; it has a good rate of interest return, but he will not have access to the money for two years. What option is Joey looking at?

#### Situation 5

Maria has received a sum of money from her grandparents for her high school graduation. Maria doesn't need the money now and wants to start saving for her retirement to allow her to travel around the world. Maria wants to put the gift of money in a place where it will earn interest, where it will be backed by the Federal government, and where she will not have to pay local or state income taxes on the interest. She realizes she will have to pay federal income tax on the interest, but doesn't plan to use the funds until she is retired, so she should be okay. What option is Maria considering?

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### ACTIVITY 2 - OVERHEAD 3



## LOOKING AT PLACES TO SAVE

On a scale of 1 to 5 (with 1 being low and 5 being high), rate the following places to save your money.

TYPE OF SAVINGS	SAFETY	ACCESS TO MONEY	RATE OF RETURN
Savings Account			
Money Market Account			
Certificate of Deposit			
Savings Bond			
Insurance			

Based on the above ratings, where would you save your money? Why?