



MONEY SMART 2.0 LESSON GUIDE

for Grades 6-8



The National Theatre for Children

NTC Financial Literacy
K-12 Curriculum

LESSON 7 *How to Stash Your Cash*

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.

TOPIC: Savings Options

CLASS TIME: 50 minutes (excluding Expanded Information to Share 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 slides)
- Chart paper and markers for student presentations
- Loose-leaf paper for Wrap Up activity
- Access to the internet (optional)

PROCEDURE:

- Make copies of student handouts and group handouts
- Set up projector with presentation slides
- Set up individual or group computers with access to the internet (optional)

STUDENT HANDOUTS:

- 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 SLIDES:

- Understanding Compound Interest Warm Up

CRITICAL THINKING 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

ANSWER KEY

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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 n 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 Modifications:

Beginner: Build background knowledge about compound interest by showing *Compound Interest: How to Make a Million Bucks*. See additional readings and resources in Money Smart Tip below.



MONEY SMART TIP

Teach your students more about compound interest by discussing *Money Foundations for Kids: Compound Interest* from MoneyGeek.

www.moneygeek.com/financial-planning/compound-interest-for-kids/

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INSTRUCTION STEPS

GUIDED 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 used 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 in the **Answer Key**.

Grade Level Modifications:

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

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

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INSTRUCTION STEPS

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.

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EXPANDED INFORMATION TO SHARE

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**

- *How to Set and Reach Savings Goals* by Miriam Caldwell: Helpful advice for saving for a variety of things, like a car, a house or retirement.
www.thebalance.com/miriam-caldwell-2385474
- *Compound Interest Explained* by Investopedia: A video episode about how compound interest works. (Time of video: 2:00 minutes)
www.youtube.com/watch?v=wf91rEGw88Q

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.

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EXPANDED INFORMATION TO SHARE

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**

- *Hit the Road: A Financial Adventure Game* by the National Credit Union Administration takes you on a virtual road trip across the country, but the journey is not an easy one. You must save and spend your money wisely to complete challenges along the way. www.mycreditunion.gov/Pages/pocket-cents-game.aspx

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ANSWER KEY FOR STUDENT HANDOUTS

Opening a Savings Account

Answers will vary. Completed Sample:

- Money to save: \$5,000
- Scenario: You're hoping that you will have \$10,000 to buy a used car in a few years.

OUR DECISION

- Financial Institution: **Commercial Bank #2**
- Account Name: **Passbook Savings Account**
- Fees, Terms and Other Important Information: **\$5 minimum opening deposit, \$20 low fee if balance is less than \$250, one withdrawal per month.**

INTEREST RATE TABLE

| Year | Balance | Interest | Total |
|------|------------|----------|------------|
| 1 | \$5,000.00 | \$2.50 | \$5,002.50 |
| 2 | \$5,002.50 | \$2.50 | \$5,005.00 |
| 3 | \$5,005.00 | \$2.50 | \$5,007.50 |
| 4 | \$5,007.50 | \$2.50 | \$5,010.00 |
| 5 | \$5,010.00 | \$2.51 | \$5,012.51 |

- Why did you choose this financial institution and this account over others? **First, it has one of "the higher interest rates for lower balances. Second, even though it only allows one withdrawal a month, it is being used to save, and that limit may help with saving.**

Opening a Savings Account

Name: _____

Money to save: _____

Scenario: _____

OUR DECISION

Financial institution: _____

Account name: _____

Fees, terms and other important information: _____

INTEREST/APY RATE TABLE

| Year | Balance | Interest | Total |
|------|---------|----------|-------|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |
| 5 | | | |

Why did you choose this financial institution and this account over others? _____

Commercial Bank #1

Directions: Use with **Opening a Savings Account – Decision Making** activity. Make one copy per group of students.

ABOUT US

Our bank seeks to help our customers improve their financial lives. We work with more than 50 million people individually, in a business setting or in their communities. As experts in finance, we hope we can serve you, too.

BASIC SAVINGS ACCOUNT

First savings account?

Fees:

- \$25 minimum opening deposit
- \$5 monthly fee if balance is less than \$300

Interest Rate:

- .01% compounded interest

Benefits:

- Includes a debit card for ATM withdrawals and deposits
- Debit card may be used for commercial transactions

Terms and Conditions:

- Limited to three withdrawals per month
- FDIC-insured up to \$250,000

PERSONAL MONEY MARKET SAVINGS ACCOUNT

Want to earn more interest as your balance grows?

Fees:

- \$25 minimum opening deposit
- \$12 monthly fee if balance is less than \$2,500

Interest Rate:

- .02% with balance less than \$20,000
- .03% with balance of \$20,000 – \$250,000
- .04% with balance over \$250,000

Benefits:

- Online and mobile phone banking available

Terms and Conditions:

- FDIC-insured up to \$250,000

WHAT IF THE BANK FAILS? INSURING YOUR MONEY

The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the United States government. The FDIC protects depositors against the loss of their insured deposits if an FDIC-insured bank or savings association fails. FDIC insurance is backed by the full faith and credit of the United States government. The FDIC provides up to \$250,000 in deposit insurance per depositor, per bank, and per account category, in accordance with the FDIC's deposit insurance regulations. Insured deposits include funds deposited in checking accounts, savings accounts, money market savings accounts and CDs.

Commercial Bank #2

Directions: Use with **Opening a Savings Account – Decision Making** activity. Make one copy per group of students.

ABOUT US

We are neighbors meeting the banking needs of neighbors. Join us today!

PASSBOOK SAVINGS ACCOUNT

Need a basic savings account?

Fees:

- \$5 minimum opening deposit
- \$20 monthly fee if balance is less than \$250

Interest Rate:

- .05% compounded interest

Benefits:

- Includes a debit card for ATM withdrawals and deposits only

Terms and Conditions:

- Limited to one withdrawal per month
- FDIC-insured up to \$250,000

HIGH-YIELD SAVINGS ACCOUNT

Want premium interest rates?

Fees:

- \$1 minimum opening deposit
- \$10 monthly fee if balance is less than \$3,500

Interest Rate:

- .03% with balance less than \$100,000
- .05% with balance over \$100,000

Benefits:

- Checkbook provided

Terms and Conditions:

- Limited to six withdrawals per month
- FDIC-insured up to \$250,000

WHAT IF THE BANK FAILS? INSURING YOUR MONEY

The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the United States government. The FDIC protects depositors against the loss of their insured deposits if an FDIC-insured bank or savings association fails. FDIC insurance is backed by the full faith and credit of the United States government. The FDIC provides up to \$250,000 in deposit insurance per depositor, per bank, and per account category, in accordance with the FDIC's deposit insurance regulations. Insured deposits include funds deposited in checking accounts, savings accounts, money market savings accounts and CDs.

Credit Union

Directions: Use with **Opening a Savings Account – Decision Making** activity. Make one copy per group of students.

ABOUT US

We are a member-owned, democratically controlled financial institution. That means that, if you open an account with us, you can help us make decisions. We work together to offer competitive rates for our members and to serve our community.

YOUNG SAVERS CLUB ACCOUNT

Designed by students, for students

Fees:

- \$10 minimum opening deposit

Interest Rate:

- .03% compounded interest

Benefits:

- No monthly minimum fees

Terms and Conditions:

- Withdrawals and deposits may only be made in person at the bank
- Available only for students

SHARE SAVINGS ACCOUNT

Want premium interest rates?

Fees:

- \$1 minimum opening deposit

Interest Rate:

- .03% compounded interest

Benefits:

- No monthly minimum fees
- Includes a debit card for ATM withdrawals and deposits only

Terms and Conditions:

- Limited to three withdrawals per month

WHAT IF THE BANK FAILS? INSURING YOUR MONEY

The National Credit Union Administration (NCUA) is an independent agency of the United States government. The NCUA protects credit union members against losses if an NCUA-insured credit union fails. NCUA insurance is backed by the full faith and credit of the United States government. The NCUA provides up to \$250,000 in insurance coverage to each shareowner, per insured credit union, for each account ownership category, in accordance with the NCUA's regulations. Funds that are insured by NCUA include regular shares (similar to savings), share drafts (similar to checking), money market accounts and share certificates (similar to CDs).