Lesson 4: Save Your Money

TOPIC: Saving

OVERVIEW:

As students' financial judgments continue to grow throughout each module, add **interest** to their financial knowledge bank by exploring how and where to save money through the understanding of **banks** (federally insured financial institutions). This module will introduce the concept of **risk**. Learners will also evaluate real-world scenarios that address saving for emergencies.

Time: 60 min

Supplies:

- Whiteboard or chart paper, markers
- Projector (for teacher presentation slides)
- Access to the Internet (optional)
- Suggested books (optional):
  - *Banking* by Barbara Allman

Preparation:

- Make copies of student handout
- Set up projector with presentation slides

Glossary with key vocabulary 11

OBJECTIVES:

1. Explain what banks do and what interest is
2. Name benefits of saving money in a bank versus at home
3. Understand risks and why it's important to save for emergencies
4. Evaluate real-world scenarios that focus on saving for emergencies, unexpected events or purchases
5. Create an infographic to show possible risks for a real-world scenario

HANDOUTS:

- Calculate the Interest
- Money Smart Book Comic Strip

TEACHER PRESENTATION SLIDES:

- How Do Banks Work?
- Saving for Emergencies
- Story Problems: Risks
- Real-Life Emergencies

ESSENTIAL QUESTIONS:

- What is a bank?
- How do banks work?
- What is interest?
- Why would keeping money in a bank be more useful than saving money at home?
- Why is it important to save for emergencies?

ASSESSMENT ACTIVITIES:

Pre-Assessment:

- **Handout:** What Are the Risks?
- **Handout:** Calculate the Interest

Post-Assessment:

- **Slide:** Story Problems: Risks
- **Handout:** Money Smart Book Comic Strip

Instruction Steps

WARM UP

Understanding Ways to Save Money

5 MINUTES

Begin the lesson with a discussion about saving money. Ask students to raise their hands if they have a piggy bank or savings jar.

Ask: *Why are you saving the money? What have you used your savings for? How long did you save for the last item you bought? Why is it important to save money?* (When you save, you will have money to use in the future. It also ensures you will have the money you may need in case of an emergency or a special event.) Then have students name ways they might be able to save more money (for example: cutting back on "wants" or bargain hunting and putting the money saved into a bank account). Write students' ideas on a whiteboard or chart paper.

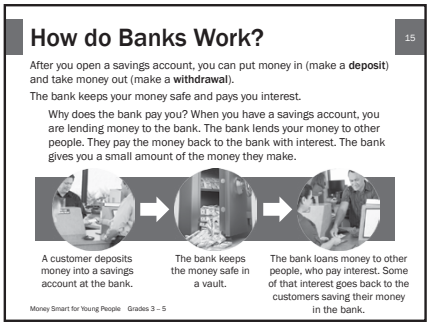
GUIDED EXPLORATION

Discovering Where Money Is Saved

25 MINUTES

Assess prior knowledge by asking students:

- *Who has been to a bank?*
- *What is a bank?* (A bank is a business where people can deposit and withdraw their money.)
- *How do banks work?* (Banks offer people a safe place to keep their money and pay people interest by using their deposits to make loans.)



If students have not yet mentioned the term interest, ask whether they have heard of the term as related to money, and what they think it means. (Interest is the amount earned from deposits in a savings account.)

Display the **How Do Banks Work?** slide to give students background information on the basic principles of how banks work.

Ask: *Why would keeping money in a bank be more useful than saving money at home?* (It's safer in a bank and can earn interest.) Explain to students that the next activity will teach them more about interest.

MONEY SMART TIP!

The Federal Deposit Insurance Corporation, or the FDIC for short, is a part of the federal government. The FDIC's biggest job is to insure the savings of millions of Americans in all of the FDIC-insured banks across the country. Since the FDIC was established in 1933, no depositor has lost a penny of FDIC-insured funds.

Create a physical model of interest growing with your students. Ask for three student volunteers and bring them to the front of the room. They will each represent one year.

For Year 1 hand the student $100 play money. Share that interest rates are very high, 10% per year. After leaving the $100 in the bank for 1 year the student will receive $10 in interest. Share that they decide to keep all that money in the bank for another year.

Have the student pass money to next student (Year 2). Share that now the money has grown again and with another 10% of interest. Give the second student $11 more play dollars. Have students count money together chorally (total: $121). Share that they decide to keep money in the bank to earn more money through interest. The third student (year 3) will receive $12 in interest.

Ask students:

- *How much do they now have in total?* ($133)
- *How much have they earned in interest over 3 years?* ($33)

  Explore the benefits of saving money in a bank by giving students the Calculate the Interest handout. It provides a real-life scenario and calculator chart to answer questions about interest on various amounts of money.

Discuss the answers, and ask: *What are the benefits of saving more money?* (to earn more interest)

Grade-Level Modifications:

Beginner: Complete the activity in small groups using base ten blocks to solve problems. Ask students to explain how they solved each problem. If they need help with the third question, refer to the Answer Key and write the number sentence on a whiteboard or chart paper.

Advanced: Have students calculate interest rates on other amounts of money that are not on the calculator chart, such as $350, $1,000, $2,500, and so on. You may also want to teach the formula for calculating interest: principal (the amount of money invested) x rate x time = interest. For example, if you invest $1,000 (the principal) at a rate of .05 (a rate of 5 percent) x 2 years (time), it equals $100 (interest).

Understanding Risks and the Importance of Saving For Emergencies

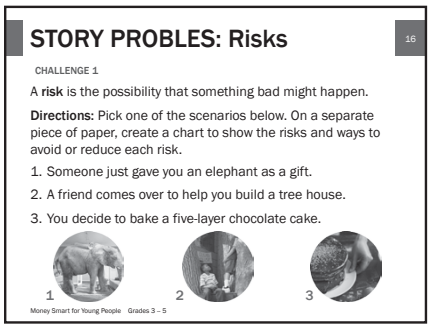
20 MINUTES

Ask students: What is a risk? (The possibility that something bad might happen.) Give an example of a child riding a bicycle. Discuss some of the risks of riding a bike (falling, a flat tire, and so on) and ways to avoid or reduce those risks (wearing a helmet, riding in a safe area away from cars, carrying a bicycle pump, and so on). Discuss ideas as a class.

Grade-Level Modifications:

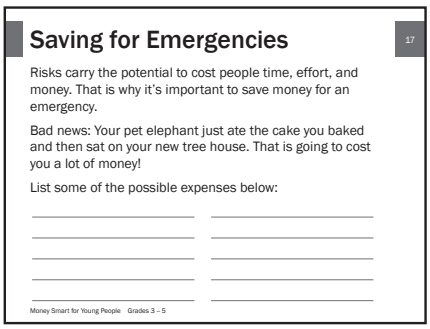
Beginner: Ask students: Have you ever ridden a bicycle, scooter, or gone ice-skating or skateboarding? Have you ever tried a new hobby like cooking or sewing? Have students talk about their experiences relating to risks, such as falling, and ways they avoided or reduced the risks.

Advanced: Have students team up with a partner to think-pair-share an example of a scenario that could pose risks and ways to reduce those risks.



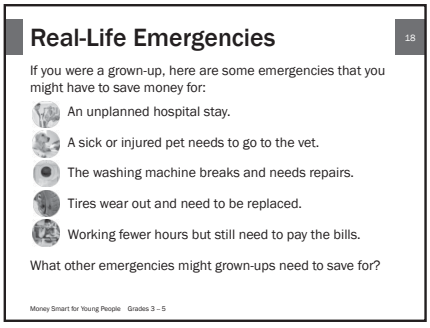
Display the Story Problems: Risks slide and have students work in small groups to create a chart that shows their understanding of the possible risks and ways to avoid or reduce each risk for one of three scenarios listed on the slide. Have students share their answers.

Explain that risks carry the potential to cost people time and effort, as well as money. As much as you try to avoid or reduce the risks, emergencies can happen. That is why it is important to save for an emergency or something unexpected.



Display the Saving for Emergencies slide. As a class, list the possible expenses of the scenario.

Then display the **Real-Life Emergencies** slide and discuss. Have students reflect on the question: *Why might it be important to save for emergencies?* (to make sure you have enough money to pay for emergencies, because they are unplanned and unexpected)



WRAP UP
Class Reflection

10 MINUTES

Ask students:

- *Why is it useful to keep your money in a bank instead of saving it at home?*
- *Why is saving for emergencies important?* As a final assessment, have students create a comic strip storyline to show why it's useful to keep money in a bank. Students may use the **Money Smart Book Comic Strip** handout or a digital tool such as ReadWriteThink's Comic Book Creator, **www.readwritethink.org/files/resources/interactives/comic/**.

Grade-Level Modification:

Beginner: Have students work in small groups or pairs and act out their three-part storyline together as a way to prepare for writing it on paper or drafting it digitally.

Advanced: Ask students to use the cartoon to demonstrate why it is important to save for emergencies and unexpected events or purchases.

Extended Exploration

Note: Use the following activities to extend the lesson topic throughout the year. Activities can be completed as a class, in small groups, or during center time. Duration of activities will vary.

- Have students work together to create smart shopping tips for their families and schoolmates.
- Invite students to test their budgeting skills by playing Change Maker at **www.funbrain.com/games/change-maker**. During the game students count change after purchases, saving each amount they get correct in their virtual piggy bank.
- Ask students to research the history of banking in the United States, using books (such as *Banking* by Barbara Allman) and online resources. Then have each student write an essay to summarize what he or she has learned and provide a list of sources.
- To explain the difference between keeping money in a bank and at home, have students create posters, and display in the library or around the school.

Answer Key

Student Handout 1: ***Calculate the Interest***

1. C ($2), 2. B ($300 + $3 interest = $303), 3. A ($800, based on the chart, solutions may include: $8 x 100 or $8 is the sum of $3 + $5, which corresponds to $300 + $500 = $800)

Student Handout 2: ***What Are the Risks?***

Risks of Riding a Bicycle: Answers will vary, but may include: falling, getting hit by a car, a flat tire.

Ways to Avoid or Reduce the Risks: Answers will vary, but may include: wearing a helmet, riding in a safe area away from cars, carrying a bicycle pump.

Student Handout 3: ***Money Smart Book Comic Strip.***

Answers will vary.

Lesson 4: Save Your Money

CALCULATE THE INTEREST

Name: _____

When you put money into a savings account, you are paid **interest**. It is the money you earn from lending money to the bank.

Directions: Read the scenario and the calculator chart below. Then fill in the circle for the best answer to each question.

Juan, age 10, has a savings account. He has $100 saved so far. He wants to figure out how much interest he would receive if he saved more money. The amount of interest the bank pays changes often. Right now, Juan's bank pays a rate of 1%.

Calculator Chart

Money	Interest After a Year (based on rate of 1%)
$100	$1
$200	$2
$300	$3
$400	$4
$500	$5

1. If Juan saves $200, how much interest would he receive after a year?

   ○ 20 Cents ○ $1 ○ $2

2. If Juan saves $300, how much money would he have in the bank at the end of the year?

   ○ $300 ○ $303 ○ $305

3. How much money would Juan need to save to receive $8 of interest after a year?

   ○ $800 ○ $900 ○ $1,000

Lesson 4: Save Your Money

MONEY SMART BOOK COMIC STRIP

Name: _____

Directions: Draw a comic strip to show why it's useful to keep money in a bank.

TITLE