

New Bedford Public Schools
Division of Adult & Continuing Education

New Bedford High School Evening Extension

2019 – 2020 School Year
Trimester III

Learning Packet #3
for
Basic Personal Finance

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7 Reasons You Need to Save Your Money

By Full Bio Follow LinkedIn Miriam Caldwell has been writing about budgeting and personal finance basics since 2005. She teaches writing as an online instructor with Brigham Young University-Idaho. Read The Balance's editorial policies Miriam Caldwell



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Sawitree Pamee / Getty Images

Another important reason to save money is your retirement. The sooner you start saving for retirement, the less you will have to save in the future.

Saving for retirement often takes place within special retirement accounts, such as a 401(k). Money invested in these special accounts has the potential to appreciate in value, earning interest. When that interest is compounded, it grows even faster.

For example, if you opened an account with \$1, deposited \$100 every month for 10 years, and earned 6.5% interest compounded annually, you'd have \$16,195.18. Keep it up for another 10 years—20 in total—and you'll more than double your money to \$46,593.89. If you started investing at age 25, with 30 years of saving \$100 each month at a 6.5% rate of return, you'd have \$103,656.45 (including compounded interest) by the age of 55.

Such a rate of return is not guaranteed, and you do risk losing your money by investing. However, historically the gains have all been positive, and with enough time in the market, even dips eventually recover.

If you have an employer-sponsored retirement plan, you should at least contribute up to your employer's match. Eventually, you should aim to contribute 10% to 15% of your gross income. You can contribute to your 401(k) as well as an individual retirement account (IRA).

<https://www.thebalance.com/learn-the-most-important-reasons-to-save-money-2386123>



NBHS EVENING EXTENSION
TRIMESTER III
SAVINGS ACCOUNT 2.1



Name _____

In this lesson, you will learn to:

- Explain how saving is linked to overall wealth
- Describe how saving and investing are different
- Understand fundamentals of saving such as reasons for saving, how much to save, and strategies to enable saving
- Acknowledge the role of delayed gratification in saving

A. **Discussion Prompts:** Have you or your family ever saved money for something?

1. What were you saving for?

2. What strategy(ies) did you use to save?

B. **The Truth About Millionaires:** Take this brief quiz. As you play, write down habits of millionaires that relate to saving. Then answer the question.

1. How has this quiz altered or supported your views on saving?

C. **What is Wealth?:** Your friends and you notice a classmate who always has brand new clothes, shoes, and electronics.

1. What would you need to know in order to tell if this classmate's family is actually wealthy?

2. How are wealth and savings related?

Name _____

- D. **The Difference Between Saving & Investing:** Watch this video and use what you've learned to answer the questions that follow.
1. Determine whether each action is an example of saving or investing:
 - a. Putting \$20 per paycheck into an account to help pay for books during college

 - b. Contributing 3% of your paycheck to a 401(k) plan offered through your job

 - c. Buying shares of stock in your favorite clothing company

 - d. Giving your cousin \$5000 to help start his business, in exchange for 5% of his monthly profits

 - e. Depositing your annual income tax return into an account until you have enough to buy a car
 2. Your friend recently got a pay raise and plans on putting more money into his savings account. You know that he does not have any investments and advise him to open a 401k instead. He doesn't understand why he should do so. What do you tell him?
- E. **Learn the Most Important Reasons to Save Money:** Read this article that gives 7 reasons for why you should consider saving money. Then answer the questions
1. Which of these types of saving are you already doing?

 2. Which of these 7 reasons to save is NOT really an example of **saving**, but rather of **investing**?

Name _____

F. **How Much Should I Save? Kal Penn Explains:** Watch this video on how much to save, which also gives some examples of what to save for. Then answer the questions.

1. How much does Kal Penn recommend you save?
2. Why does it make sense to start investing *right now*?
3. The previous article and this video have three points of overlap -- retirement, emergency fund, and education. Why do you think it's SO important to save in these 3 categories?

G. **DATA CRUNCH: How “Financially Prepared” Are Americans? :** Follow the directions to complete this worksheet. Then answer the questions. (Located at the bottom of this attachment)

1. Based on the two graphs shown, do you think most Americans are saving the recommended 20% per paycheck? Why or why not?

H. **5 Simple Saving Tricks:** Read this article. Then answer the questions.

1. Which of the 5 tricks are you already doing?
2. Which of the 5 tricks would be MOST difficult for you to implement? Why?

Name _____

I. **Cash Calculator -- 4 Banks for Your Bucks!:** Use the calculator provided to fill in the 2 charts at right.

Estimated time: 7 mins

If I earn \$100 per week and allocate my earnings according to the percentages below, how much will I have in each category after one year?

Save	Spend	Invest	Give
20%	65%	10%	5%

Fill in the blanks:

If I earn \$150 per week and allocate my earnings according to the percentages below, how much will I have in each category after one year?

Save	Spend	Invest	Give

Based on what you know about saving and investing, when you look at the 1 year totals for each “jar,” which one is most likely NOT accurate? Why?

Name _____

- J. **Don't Eat the Marshmallow:** Watch this video about a famous psychology study often referred to as the "Marshmallows Study". Then answer the questions.
1. When you were four, would you have eaten the marshmallow?
 2. Reflect on a moment when you were very tempted to spend money on something. Did you end up spending the money?
 3. Why is it sometimes SO hard to resist?

K. **Exit Ticket**

1. What is a good "rule of thumb" for how much you should save?
2. Name two ways that saving and investing are different.
3. What are two ways you might benefit if you started saving today?

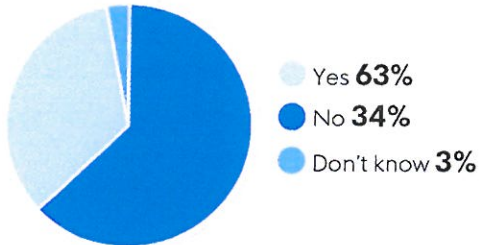
Name _____

How “Financially Prepared” Are Americans?

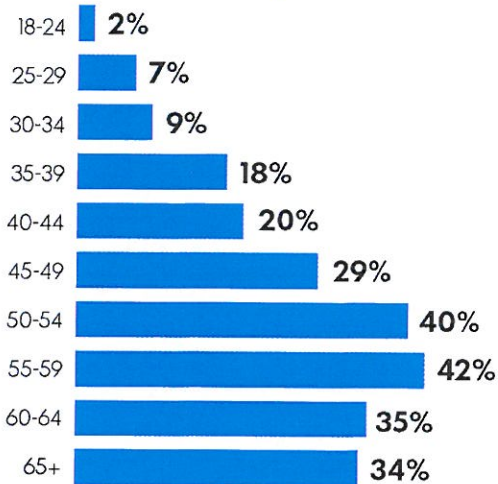
FINANCIAL PREPAREDNESS

A NeighborWorks America survey asked about saving habits.

Do you have money saved up in case of an emergency?



SAVING FOR RETIREMENT, BY AGE



© 2012 NeighborWorks America, www.nw.org. Data from 2011 survey. Percentages may not add to 100% due to rounding.



1. What two different types of savings are being reported on in these two graphs?

2. In what age range does the largest percentage of respondents say they are saving for retirement?

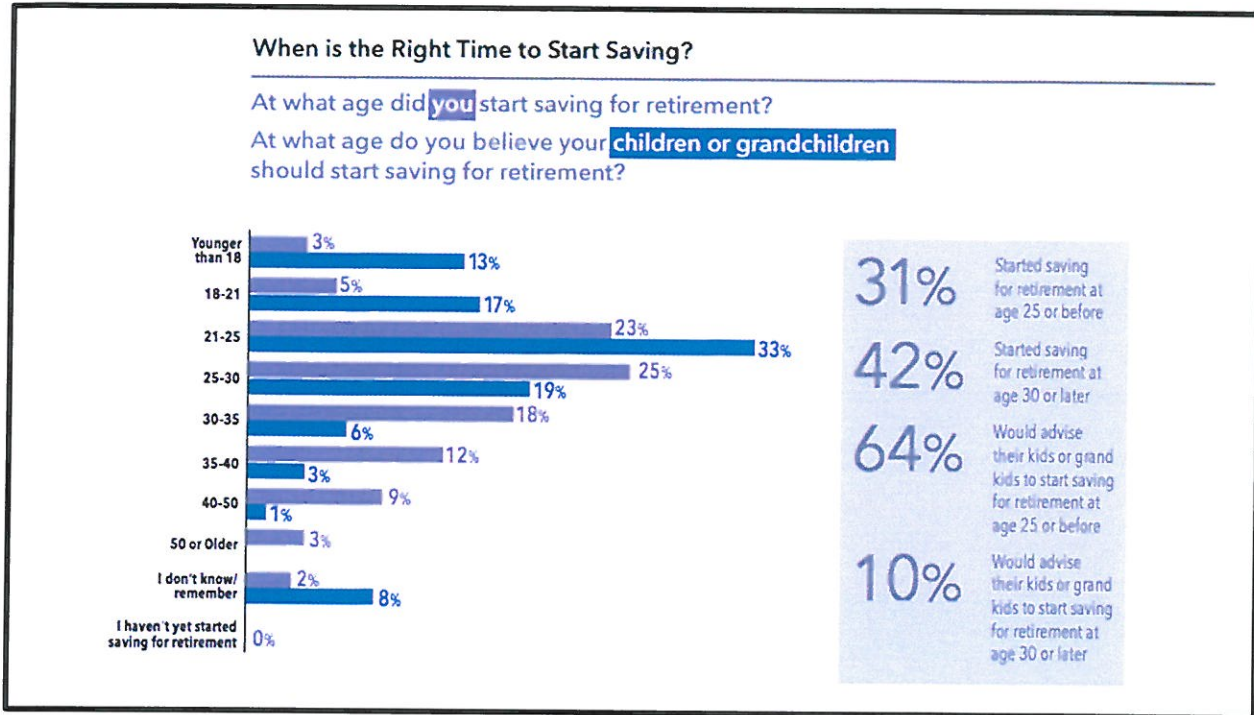
3. If you look at the second graph and were to add the percentages, they add far higher than 100%. Why is that the case?

4. Look closely at the first graph. What error has USA Today or NeighborWorks America made with this graph?

Name _____

5. Now that you've noticed the mistake in graph 1, does that error discredit the rest of the survey findings in your mind? Why or why not?

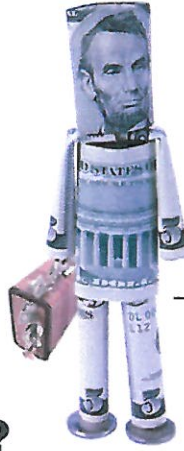
Name _____



- | | |
|--|---|
| <p>1. When do the highest percentage of people in this survey think that <u>their children or grandchildren</u> should start saving?</p> | <p>2. What percentage of people in the study started saving for retirement at age 21 or before? How does this compare with the how many of these same people believe their children or grandchildren should start saving at 21 or before?</p> |
| <p>3. A recent headline stated that “30% of those over the age of 50 have not started saving for retirement.” Does the chart above match this headline? Why or why not?</p> | |
| <p>4. Write a short headline that might accompany the chart above.</p> | |
| <p>5. Why do you think there is this difference between when people started saving and when they are advising their children or grandchildren? What might they have learned?</p> | |

Name _____

The Truth About Millionaires



Think you know what millionaires are really like?

Take this short quiz and see if you are right.

True or False

1. Most millionaires inherited their money.
 True False
2. Millionaires don't actually work. They have people who work for them.
 True False
3. Millionaires shop in very exclusive stores, not where ordinary people shop.
 True False
4. Millionaires drive impressive cars.
 True False
5. Most millionaires make their money in glamorous ways – they are basketball players, musicians or other celebrities.
 True False
6. Millionaires have lots of credit cards.
 True False
7. Most millionaires own their own business.
 True False
8. Many poor people become millionaires by winning the lottery.
 True False
9. Most millionaires are college graduates.
 True False
10. There is a good possibility that you can be a millionaire.
 True False

The Truth About Millionaires



Answers

1. Most millionaires inherited their money.
FALSE. Only 19% of millionaires were given any money or wealth from family.
2. Millionaires don't actually work. They have people who work for them.
FALSE. Most work more than 45 hours a week.
3. Millionaires shop in very exclusive stores, not where ordinary people shop.
FALSE. 43% of millionaires have a Sear's card.
4. Millionaires drive impressive cars.
FALSE. Only 23% of millionaires drive a new car.
5. Most millionaires make their money in glamorous ways – they are basketball players, musicians or other celebrities.
FALSE. Most millionaires work in very ordinary jobs. They are paving contractors or have a pest control business.
6. Millionaires have lots of credit cards.
FALSE. Many keep just one credit card and most pay it off in full each month. They do not like paying interest on debt.
7. Most millionaires own their own business.
TRUE. Most millionaires consider themselves to be entrepreneurs. This may explain why they work more hours than you would think. They are decision-makers for their own companies.
8. Many poor people become millionaires by winning the lottery.
FALSE. The chances of winning the Powerball Lottery are 1 in 17 billion. You have a better change of being struck by lightning. Your chances of that are 1 in 9 million.
9. Most millionaires are college graduates.
TRUE. 4 out of 5 millionaires are college graduates. 24% have earned masters or doctoral degrees. Another 14% have earned medical or law degrees. They are well educated.
10. There is a good possibility that you can be a millionaire.
TRUE. It is not that hard if you stick to a saving plan. Let say you invest \$3,000 each year from age 21 to age 64 when you want to retire and earn 8%. You will retire with a million bucks!

* Statistics from The Millionaire Next Door, Thomas J. Stanley, Ph.D and William D. Danko, Ph.D., 1998