

# GRADE LEVEL 6-8

## HOW DO YOU MAKE YOUR MONEY GROW?



### TOPIC

Ways to Save and Invest Money

### SUBJECT AREA

Math

### RELATED SUBJECT AREAS

Economics

### LESSON OBJECTIVES

Students will:

- Compare and contrast investment vehicles including savings accounts, CDs, savings bonds, stocks, and mutual funds
- Calculate values of the invested money through several investment vehicles
- Explore how they can reach a short-term or long-term goal using savings and investment strategies

### IMPORTANT TERMS

short-term goals, long-term goals, savings bond, compound interest, certificate of deposit (CD), stocks, mutual funds, saving, investing, risk, return

### INTERACTIVE EXTENSION

Students learn that saving and investing are the two ways to make money grow. Students also learn important differences between saving and investing. In addition, students learn about short-term and long-term goals. The following is the Web address for the interactive activity that complements this lesson:

<http://www.citigroup.com/citigroup/financialeducation/curriculum/kids.htm> and click on "How Do You Make Your Money Grow?"

Another excellent resource that explores investing and allows students to build a virtual investment portfolio can be found on Smith Barney's website, Young Investor's Network:

<http://www.younginvestorsnetwork.com>

### Teaching Notes

#### Estimated Time Requirement

40–80 minutes

*You may wish to teach this lesson over the course of two class periods.*

Part One:

Introduce lesson, discuss overview of goals, savings, and investment vehicles.

Part Two:

Work with stock pages and conduct evaluation.

#### Materials Needed

- Chart paper and marking pen or chalkboard and chalk
- Handout 1: **How Your Money Can Grow**, one per student
- Newspapers, one per student
- Newspaper stock pages for a week, one set per pair
- Overhead 1
- Writing paper, one sheet per student
- Copies of **Student Questionnaire**, one per student

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### Teaching Notes

#### Introduction

Along with managing money, students also need to set realistic short-term and long-term goals and learn to plan carefully for meeting these goals. In this lesson, students will explore types of investments and compare them with each other.

#### Teaching Strategies and Learning Activities

- Throughout the lesson, emphasize the Important Terms.
- As a class, discuss the differences between short-term and long-term goals. On chart paper or chalkboard, create a T-chart with column headings **Short-term Goals** and **Long-term Goals**. Ask students to share some of their goals that require money to achieve. Have students determine which column each goal belongs in and write it in that column.
- As a class, discuss the differences between saving and investing. Saving is a short-term money management strategy that has safety precautions since the money is usually held in an insured account. Investing is a long-term money management strategy that has risk factors since it is usually not insured and the value can fluctuate.
- Ask, "What are some ways you can save money?" Record students' answers on chart paper or chalkboard.
- Ask students, "What are some ways you can invest your savings?" Explain to students that investing in different ways can help money grow, especially over a period of time.
- On chart paper or chalkboard, copy the following chart.

MOST POPULAR SAVING AND INVESTMENT VEHICLES		
	Advantages (+)	Disadvantages (-)
<b>Savings Accounts</b>	usually no minimum amount	lower risk than others
<b>Certificates of Deposit (CDs)</b>	higher rate than savings account	minimum deposit required, often \$500 to \$2,500
<b>Savings Bonds</b> (bonds issued by the U.S. government to help pay its expenses)	guaranteed by federal government; minimum purchase of \$25; higher rate than savings account	many years to reach face value

**TIP:** Remind students to respect the plans and goals of others as students share their goals with the class.

# GRADE LEVEL 6-8

## HOW DO YOU MAKE YOUR MONEY GROW?



### Teaching Notes

<b>Stocks</b> (shares owned in a company)	earn money when price of stock rises	lose money when price of stock drops
<b>Mutual Funds</b> (financial organizations that invest the money of its members into a variety of stocks and bonds)	money is diversified so it is protected from individual stock price changes	minimum investments are required and vary from fund to fund

- As a class, discuss the advantages and disadvantages of each.
- Distribute **Handout 1: How Your Money Can Grow** to each student. Provide students with various savings amounts and have them practice calculating interest earnings. Explain to students how to read the table. (Multiply savings amount by factor from table. Find the factor by using an interest rate and number of years in savings.)
- Have students research interest rates online (bankrate.com) or in newspaper ads for different investment vehicles. Have student create a chart to organize their information. Have students share their findings.
- To enhance the lesson, invite a guest speaker from a local investment company or brokerage firm to discuss basic investment vehicles such as stocks and mutual funds.
- Discuss the risk and return (reward) of different types of mutual funds. On chart paper or chalkboard, create a three-column chart. Include the following information in the chart.

Money Market Funds		Bond Funds		Stock Funds	
Risk	Return	Risk	Return	Risk	Return
↓	↓	↔	↔	↑	↑

- Divide students into pairs. Distribute stock pages from the newspaper to each pair. As a class, instruct students how to read them. Display Overhead 1 and use as a guide to the instruction.
- Have students review the pages, choose a stock, analyze the performance of their selected stock, and then record this information in a chart.
- Have students track their stock for an additional week or two. As a class, have students discuss their findings. Based on previous performance, have students discuss the risk associated with investing in that particular stock.
- For additional information, visit [www.better-investing.org](http://www.better-investing.org), [www.publicdebt.treas.gov](http://www.publicdebt.treas.gov), [www.financial-education-icfe.org](http://www.financial-education-icfe.org), and [www.sec.gov](http://www.sec.gov).

# GRADE LEVEL 6-8

## HOW DO YOU MAKE YOUR MONEY GROW?



### Teaching Notes

- Review the Important Terms.

#### **Evaluation**

Have students create a flowchart for earning, spending, saving, and investing money to reach their personal short-term and long-term goals.

Use the **Student Questionnaire** as an activity assessment.

# HANDOUT 1: HOW YOUR MONEY CAN GROW



<b>Compound Interest Table</b>					
<b>Years</b>	<b>1%</b>	<b>3%</b>	<b>5%</b>	<b>6%</b>	<b>8%</b>
1	\$1.0100	\$1.0300	\$1.0500	\$1.0600	\$1.0800
2	1.0201	1.0609	1.1025	1.1236	1.1664
3	1.0303	1.0927	1.1576	1.1910	1.2597
4	1.0406	1.1255	1.2155	1.2625	1.3605
5	1.0510	1.1593	1.2763	1.3382	1.4693
6	1.0615	1.1941	1.3401	1.4185	1.5869
7	1.0721	1.2299	1.4071	1.5036	1.7138
8	1.0829	1.2668	1.4775	1.5938	1.8509
9	1.0937	1.3048	1.5513	1.6895	1.9990
10	1.1046	1.3439	1.6289	1.7908	2.1589
11	1.1157	1.3842	1.7103	1.8983	2.3316
12	1.1268	1.4258	1.7959	2.0122	2.5182
13	1.1381	1.4685	1.8857	2.1329	2.7196
14	1.1495	1.5126	1.9799	2.2609	2.9372
15	1.1610	1.5580	2.0789	2.3966	3.1722
16	1.1726	1.6047	2.1829	2.5404	3.4259
17	1.1843	1.6528	2.2920	2.6928	3.7000
18	1.1961	1.7024	2.4066	2.8543	3.9960
19	1.2081	1.7535	2.5270	3.0256	4.3157
20	1.2202	1.8061	2.6533	3.2071	4.6610

# OVERHEAD 1: HOW TO READ THE STOCK PAGES



## **52 Week High/Low**

These figures show the highest and lowest prices the stock has sold for in the past 52 weeks (one year). This indicates the fluctuation in price over the past year. The higher the fluctuation, the more money you could make or lose in a relatively short period of time.

## **Stock**

The names of the corporations are abbreviated and listed in alphabetical order.

## **Ticker Symbol (Tkr.)**

This is the trading symbol for the stock.

## **Year-to-Date, Exchange (YTD, Exch)**

This is the year-to-date percent change in price and the exchange the stock trades on.

## **Volume (Vol.)**

This represents the number of shares traded the previous day in 100-share lots. Multiply by 100 to determine the actual number of shares that were traded.

## **Close**

This is the price the stock sold for at the close of trading the previous day.

## **Change (Chg.)**

This number represents the fluctuation in price during the previous trading day. A negative number means that the stock closed for a lower price than the day before. A positive number means that the stock closed for a higher price than the day before.

# GRADE LEVEL 6-8 ASSESSMENT



## ACTIVITY ASSESSMENT

The student questionnaire on the following page was developed specifically to assess the knowledge of students in Grades 6-8. You are free and encouraged to use this questionnaire in various formats. Refer to the Student Questionnaire section on page 4 of the *Facilitator's Guide Introduction* for suggestions on how to use and implement it.

### **Student Questionnaire: How Do You Make Your Money Grow? Answer Key**

1. d
2. b
3. d
4. a
5. b
6. d
7. d
8. a
9. c

# GRADE LEVEL 6-8

## STUDENT QUESTIONNAIRE



*Instructions:* Please circle the answer to each question below to the best of your ability. You are not expected to know all the answers; we are interested in simply learning about your general knowledge of personal finance.

Name: \_\_\_\_\_

Date: \_\_\_\_\_

### How Do You Make Your Money Grow?

- 1. Which of the following is a short-term savings goal for a middle-school student?**
  - a. Saving for college
  - b. Saving to buy a home
  - c. Saving for retirement
  - d. Saving to buy presents for the holidays
- 2. If Jamal saved \$300 to go on a class trip to Disney World in six months, which of the following investments has the *lowest* risk that he won't have all the money he needs for his trip?**
  - a. If he invested it in stocks
  - b. If he put it in a savings account
  - c. If he put it in a mutual fund
  - d. If he hid it under his mattress
- 3. Which of the following is true about savings accounts?**
  - a. They are very risky.
  - b. You have to leave your money in them for at least three years.
  - c. You generally have to deposit at least \$1,000 to open one.
  - d. They are not very risky.
- 4. Which of the following is true about savings bonds?**
  - a. They are issued by the U.S. government to help pay its expenses.
  - b. It is easy to lose money when you buy one.
  - c. They reach full value (face value) in less than a year.
  - d. The lowest-cost savings bond is \$1,000.
- 5. Money invested in a mutual fund is diversified. What does this mean?**
  - a. You own several different mutual funds.
  - b. The money is invested in several different stocks or bonds.
  - c. You are guaranteed to get back at least as much as you put in.
  - d. You never have to pay taxes on money you make from a mutual fund.

# GRADE LEVEL 6-8

## STUDENT QUESTIONNAIRE



- 6. If you own 100 shares of a company whose stock price is \$10 and the price of that stock goes up to \$20, how much are all your shares in that company worth?**
- \$10
  - \$20
  - \$1,000
  - \$2,000
- 7. If Keisha put \$1,000 in a savings account that paid 5% compound interest per year, approximately how much money would she have at the end of two years?**
- \$1,000
  - \$1,050
  - \$1,100
  - More than \$1,100
- 8. If a stock closes at \$30.52, it means that:**
- This was the last price it sold for that day.
  - It was the opening price for the day.
  - It was the highest price that day.
  - It was the lowest price that day.
- 9. Many people put aside money to take care of unexpected expenses. If Hector has money put aside for emergencies, in which of the following forms would it be of LEAST benefit to him if he needed all of it right away?**
- Stocks
  - Savings account
  - A six-month certificate of deposit
  - Mutual funds

*Thank you for taking the time to complete this questionnaire!*