

In this activity students will set goals for personal savings, explore ways in which they can save money, and learn about the power of compounding interest.

COLLEGE: ACTIVITY 3

FINANCIAL FREEDOM

1. Pose the following question to your students: What is something that you would like to have but that would require you to save up money in order to afford? Record responses on the board.
2. As a class, examine the list of responses and decide if the ability to afford each item is a short-term (new jeans, prom dress, video game) or long-term (car down payment, college tuition, apartment deposit) goal. Ask each student to write down at least one personal short-term and one long-term savings goal on their own paper.
3. Using their weekly spending habits as a reference, ask students to brainstorm ways in which they might save money by reducing their variable expenses.
4. Ask students to select one or more of the tips to put into practice themselves and to determine how much money they would save each week by employing that idea.
5. Introduce students to the idea of compounding interest: If you start with an initial balance (principal) in a savings account, allow it to earn interest, and keep the interest in the same account, you will soon be earning “interest on the interest” of all prior periods. In addition, if you regularly deposit more savings into that same account, you will earn additional interest on that as well. On the other hand, if you regularly withdraw interest as it is earned, you will only earn simple interest, that is, interest paid only on the original principal. Provide your students the opportunity to experiment with plugging in different values into a compounding interest calculator such as the one found at www.math.com/students/calculators/source/compound.htm. Explain to students that if they save consistently, and allow the interest to remain in the account, their money can grow over time to a considerably larger amount.

Take it to the NEXT level:

Have each student contact two or three banks or credit unions to find out their current rates for savings accounts. Ask them to also note any maintenance fees or penalties that may be assessed on the account. Have students report back to the class, compare their findings, and decide which bank offers the best option.

- To follow reading and discussion of **Take Charge of Your Finances** on page 42.



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Florida Standards Assessment

- SP.PK12.US.1.4a
Develop mathematical skills and/or computational fluency for everyday living, such as money skills, estimation skills, time and measurement skills, and comprehension of graphs, tables, schedules and charts.

Materials/Preparation

- Board/chart paper
- Weekly spending records from Budgeting Basics activity, if available
- Internet access for students