Lesson Overview:

This lesson will help students to understand why it is important to set financial goals as well as to develop a plan to achieve those goals by saving and investing.

Pacing:
Approximately 90 minutes will be needed to complete this lesson.

Materials:
- Things I Want and When I Want Them 2-page handout

Background Information:

Goal setting for finances is very critical. Students should understand that what they want or need could be purchased without having to use credit but rather saving their funds. Planning forces individuals to prioritize their wants and needs based upon their resources. By writing down goals, you will increase the possibility of reaching them. Writing down goals in specific terms forces you to think about whether you really need or want a particular goal. It also helps you decide whether you are willing to spend the time or money necessary to achieve the goal. Financial goals will help you to determine where your money will go.

Listed below are four steps in setting a personal financial goal. These may be adjusted as needed.

**Four Simple Steps For Setting Financial Goals**
(Taken from the following website: [http://financialplan.about.com/cs/personalfinance/a/FinancialGoals.htm](http://financialplan.about.com/cs/personalfinance/a/FinancialGoals.htm))

**Step 1:** Identify and write down your financial goals, whether they are saving to go to college, buying a new car, saving for a down payment on a house, going on vacation, paying off credit card debt, or planning for retirement.

**Step 2:** Dividing each financial goal down into several short-term (less than 1 year), medium-term (1 to 3 years) and long-term (5 years or more) goals.

**Step 3:** Educate yourself! Read *Money* magazine or a book about investing, or surf the Internet's investing web sites. With a little effort you can learn enough about the stock market to make educated decisions that will increase your net worth many times over. Then identify small, measurable steps you can take to achieve these goals, and put this action plan to work.
Step 4: Evaluate your progress. Review your progress monthly, quarterly, or at any other interval you feel comfortable with, but at least semi-annually, to determine if your program is working. If you're not making satisfactory progress on a particular goal, re-evaluate your approach and make changes as necessary.

Students Outcomes:

1. Students will understand the importance of setting financial goals.

2. Students will understand the importance of emergency funds, short-term funds, and long-term funds that are acquired through disciplined saving.

Essential Questions:

1. Where do you see yourself in 5-10 years?

2. How do you plan for your future?

3. What steps are you making to achieve the goals you have set?

Vocabulary:

Income
Money earned by individuals, through employment and investments.

Disposable Income
The amount of income left to an individual after taxes have been paid, that is available for spending and saving. It is income that can be saved or spent on goods and services wanted, not needed.

Opportunity Cost
The amount of other goods and services that must be given up to get something

Discipline
A system of rules of conduct or method of practice
For teachers, learning vocabulary is important for student’s understanding. These are some suggestions on how to teach the key terms from this lesson.

A. Write the Key Terms (do not include the Types of savings options) on the board for students to write down on a clean sheet of paper. In your discussion, as these terms are brought up, have students raise their hands, clap, or say the term out loud. Then as a class define each term and have the students write it on their sheet of paper.

B. Provide students with the definitions and go over as a class before discussion. During discussion, have students highlight all the words on the Key Terms Definition list that you want said during the discussion.

C. Create a crossword puzzle at puzzlemaker.com for the terms and have students work with a partner to answer the puzzle questions.

D. Make a Matching game or worksheet. (this category is huge with both open and closed types of exercises) Matching the word to its definition, L1-L2, opposites, adjectives and nouns, verbs and adverbs, word to the picture, match two words that go together

Instructional Steps:

Step 1: Have a discussion with the class about what goals are, the importances of setting goals, and how their goals relate to their finances. Explain that a financial goal needs to be specific, meaning a person must include a date they would like to achieve the goal and a certain dollar amount. For example, the goal “I would like to have a lot of money” is not specific enough. However the goal, “I would like to have $10,000 saved by age 28 for a down payment on a home” is specific and definite. Explain that some of their goals may be short-term whereas some may be long-term.

Step 2: Take one or two goals and write them on the board and ask students, “Given the stipulations in these goals, are they obtainable or realistic? Can we change it to become more realistic but still reach the goal?

Step 3: Have the class address the question, “How can you achieve these goals?” Let a student record the responses on the board.

Step 4: Hand out Setting Your Financial Goals worksheets

Step 5: Give student about 15 - 20 minutes to complete the worksheets.

Step 6: Allow students to talk about some of the goals they wrote and how will they reach those goals.

Step 7: Wrap-up and Review

Enrichment/Differentiation Ideas:
You may have students keep track of their goals in a weekly/monthly journal to chart their progress in achieving a short term goal.

**Assessment Ideas:**

Ensure that the students understand these concepts through classroom discussion. Also, take up completed worksheets so you can evaluate and individually discuss their plans for achieving their goals.

**Additional Resources:**

- [http://www.utextension.utk.edu/publications/pbfiles/pb1454.pdf](http://www.utextension.utk.edu/publications/pbfiles/pb1454.pdf) - Document where Financial Goal Worksheet was adapted from University of Tennessee
- [http://financialplan.about.com/cs/personalfinance/a/FinancialGoals.htm](http://financialplan.about.com/cs/personalfinance/a/FinancialGoals.htm) - Website that details the steps in financial planning, where the introductory paragraph was written.
Financial Goals

List some things you want that will require financial resources (money).

Things I Want That Require Money

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Short-term Goals

Goals focus on what, what you need or what you want. Some goals you have listed can be achieved in two years or less. These goals are referred to as short-term goals. From the list(s) you prepared, list the short-term goals.

Goals That Can Be Achieved in Two Years or Less

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Long-term Goals

Long-term goals relate to what you want to accomplish in five or more years. Long-term goals usually require more resources for achievement. From your list(s) of wants, write down your long-term goals.

Goals To Be Achieved in Five Years or More

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<th>Goal 3</th>
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Prioritizing Goals

Typically there will be more goals than there are resources available for reaching them. You must now prioritize the goals you have. Most financial planners agree that it is almost impossible to work toward more than two or three goals at once. If you have already identified what you think is important, reaching the goals in order of importance will be fairly easy to do. Identify the goals in the order you want to reach them. To identify possible conflict, each family member should develop a list of short-term and long-term goals to work toward.

Individual Short- and Long-term Goals to Work Toward Goals: Place in order of Importance

Check the type of goal: Short-term or Long-term

1.  
   |       |       |
2.  
   |       |       |
3.  
   |       |       |
4.  
   |       |       |
Lesson 2: Managing Money: Creating a Budget

Brief Lesson Overview:

This lesson will help students develop an understanding of what a budget is, what decisions have to be made in the financial planning process, and how scarcity affects the economic decisions individuals make. Upon the successful completion of this lesson, students will also understand how a person’s education level can influence pay or salary.

Pacing:

Approximately 80 – 85 minutes will be needed to complete this lesson.

Materials:

- Job Comparison: Opticians, Optometrists, Ophthalmologists handout
- Creating a Monthly Budget Directions and Questions handout
- Budget Form handout
- Calculators

Background Information:

A budget or a “spending plan” is a useful money management tool. Individuals, households, businesses, organizations, and the different levels of government all use budgets as financial planning tools due to scarcity. Since we all have unlimited wants and limited resources, a budget helps determine how to best allocate scarce resources. A budget identifies the amount of income available to be spent, how it will be spent, and what will be saved. Most budgets are created for a designated period of time. A family might create a monthly household budget; a business might use a quarterly budget; and a high school student might create a weekly budget based on an allowance. A budget can help individuals and groups reach short-term and long-term financial goals.

Student Outcomes:

1. Students will be able to explain what a budget is and how to create a budget.
2. Students will be able to explain how scarcity affects the economic choices people make.
3. Students will apply a decision-making process such as cost-benefit analysis or comparison shopping to personal financial choices.
4. Students will be able to identify the opportunity costs of financial decisions.

5. Students will distinguish between income and expenditures.

6. Students will explain how inflation affects personal spending decisions.

**Essential Questions:**

1. How do budgets aid in financial planning?

2. Who should create a budget and why?

3. How does scarcity affect the economic choices we make?

4. How would an individual determine what to include in a budget?

5. Why do some people make more money than others?

6. How does inflation impact an individual’s budget?

**Vocabulary:**

**Budget**
A spending plan; an estimate of expected income and expense for a given period in the future

**Deficit**
The insufficiency of revenue relative to expenses

**Fixed expense**
A cost that does not usually change from period to period and are usually paid on a regular basis (i.e., mortgage or rent payments, car payments)

**Income**
The amount of money or its equivalent received during a period of time in exchange for labor or services from the sale of goods or property; profit from financial investments

**Needs**
Goods and services that a person must have to survive (i.e., water, food, shelter)

**Opportunity cost**
The cost of passing up the next best alternative when making a decision

**Scarcity**
The basic economic problem – limited resources and unlimited wants

**Surplus**
The amount by which revenue exceeds expenses

Wants
Goods and services an individual would like to have (i.e., an upgraded cell phone, a sports car)

**Instructional Steps:**

**Step 1:** Assign each student a partner. Ask students to take three to five minutes to list what they think about when they hear the word “budget” or “budgeting.” Each student should work with his/her partner to create the list. Discuss the lists. A sample of student responses could include:
- The Congress approved the budget.
- Our family budget did not include a vacation.
- Our budget increased when my mom got a promotion.

**Step 2:** Continue the discussion by asking students, “What makes a budget a budget?” Record student responses on the board. A sample of student responses could include:
- Income and expenses make a budget.
- A list of how to spend money.
- A money plan

Ask students if they budget. Lead the students in a discussion regarding the types of choices that they have to make. Have students describe how much of their budget is for needs and how much is for wants. Ask the students the following questions:
- What is a budget surplus?
- What is a budget deficit?
- Why is it important for individuals to make a budget?

**Step 3:** Inform the students that they will have the opportunity to create three separate budgets for three different professionals in the eye care industry. Let the students know that prior to creating the budgets, they will have to read the *Job Comparison: Opticians, Optometrists, Ophthalmologists* handout and answer the application questions. Working with a partner, the students will need 12 to 15 minutes to complete this activity.

**Step 4:** Distribute copies of student handout *Creating a Monthly Budget*, the directions, and questions. Each partnership should receive three copies of the budget form and one copy of the directions and questions. Inform the students that with their partners they will create one budget for the optician, one budget for the optometrist, and one budget for the ophthalmologist. Remind students that they should consider needs versus wants, short-term and long-term goals, and the designated incomes when creating the budget. Students will need approximately 40 to 45 minutes to complete the budgets. Students may use calculators to help in this process.

**Step 5:** Students should write their responses to the questions and prepare to share the responses with the class. After the students finish the questions (approximately 10 to 12 minutes), lead them in a discussion based on the questions.
Enrichment/Differentiation Ideas:

Have students keep a one-week inventory of their personal spending. Encourage students to write down everything they spend. At the end of the week, students can evaluate their spending decisions and share what they discovered with the class. Or, inform the students that each has received a one time weekly allowance in the amount of $30. Have each student create a budget that shows how the money will be spent.

Have students discuss the type of standard of living they would like to have as an adult and how they could go about achieving that goal. Have the students follow-up this discussion by researching career choices.

As an alternative to the one day “Money Managing: Creating a Budget” lesson, students can complete the “Dream Life” project or the “Family Financial Project.” Both of these projects can extend over five to seven class periods. “Dream Life” and “Family Financial Project” can be accessed at: http://www.dpi.state.nc.us/curriculum/socialstudies/secondary/personalfinancialliteracy/

Assessment Ideas:

At the end of the budget activity, students should answer ten formative assessment questions. Student responses should represent complete thoughts.

Additional Resources:

Personal Financial Literacy: Activities and Teaching Strategies for Social Studies
http://www.dpi.state.nc.us/curriculum/socialstudies/secondary/personalfinancialliteracy/

Exemplary Lessons for High School Economics
Teacher’s Guide and Student Activities
National Council on Economic Education
www.ncee.net

United States Department of Labor Bureau of Labor Statistics
http://www.bls.gov/oco/
Job Comparison: Opticians, Optometrists, Ophthalmologists

Generally, people work to earn income. Various factors such as education, skill level, talent, and supply and demand can determine how much an individual will be paid for work performed.

With a partner, read the “Job Comparison” handout and then answer the questions that follow.

<table>
<thead>
<tr>
<th>Nature of work</th>
<th>Opticians</th>
<th>Optometrists</th>
<th>Ophthalmologists</th>
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<tbody>
<tr>
<td></td>
<td>Fit glasses and sometimes contacts; review prescriptions; keep records</td>
<td>Perform tests on patients to diagnose vision needs as well as problems and diseases such as glaucoma; treat patients who have infections and contributing issues such as diabetes</td>
<td>Diagnose patients; treat for disease; perform surgery for patients who need cataracts removed; laser surgery and others issues</td>
</tr>
<tr>
<td>Working Conditions</td>
<td>40 hours a week, may require retail hours (weekends, evenings); clean and neat facilities, one patient at a time; often with appointments</td>
<td>At least 40 hours a week, some call-in (increasing); clean, well lighted offices; often manage their own business with office and staff</td>
<td>50 hours a week or more; on call responsibilities on rotating basis for most practices</td>
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<tr>
<td>Skills/Education</td>
<td>Generally requires high school diploma, with 1-2 years of community college or apprenticeship; basic knowledge of anatomy and physics</td>
<td>High School AND 3-4 years of college AND Doctor of Optometry degree which usually takes 3-4 years</td>
<td>High School AND Bachelor’s degree (four years) AND Medical School (four years) and Internship and Residency (3-6 years). Often requires post graduate work</td>
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<tr>
<td>Pay</td>
<td>$ 25,600</td>
<td>$ 86,100</td>
<td>$200,000</td>
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<tr>
<td>Growth of profession</td>
<td>About average, with some job security</td>
<td>About average, with some slight growth as research develops and baby boomers age</td>
<td>About average</td>
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1. What do opticians, optometrists, and ophthalmologists all have in common?

2. What accounts for the difference in pay between these professions?

3. As pay increases, what other factors appear to increase?

4. What other conclusions or observations did you make based on the reading?
Creating a Monthly Budget
“Job Comparison: Opticians, Optometrists, Ophthalmologists”

Directions and Questions

You and your partner are responsible for creating a monthly budget for the optician, the optometrist, and the ophthalmologist. At the end of this activity, you would have created three different budgets based on three very different salaries.

Directions:
1. Enter your income based on the “Job Comparison: Opticians, Optometrists, Ophthalmologists” handout.
2. Budget for necessary items first.
3. On a scrap sheet of paper, list the luxury and discretionary items. Decide how to divide your remaining income among them.
4. Highlight expenses that can be eliminated or reduced if unexpected expenses or emergencies arise.
5. Review your budget to see if you can increase your savings or make any other changes you feel are necessary.
6. Answer the following questions:
   a. Which expenses would be fixed? Why?
   b. Which expenses would be variable? Why?
   c. What challenges did you and your partner face in creating these budgets?
   d. What were some choices that had to be made? What were the opportunity costs associated with those choices?
   e. How did scarcity impact your decision-making?
   f. Which budget offered the higher standard of living? Why?
   g. Which position would be most impacted by inflation? Why?
   h. In general, who does inflation hurt the most? Why? How does inflation impact a person’s budget?
   i. What have you learned from this experience?
   j. Who should create budgets? Why?
## Creating a Monthly Budget

### “Job Comparison: Opticians, Optometrists, Ophthalmologists

### Budget Form

#### Monthly Income (before taxes or gross pay)

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#### Taxes (30% of monthly income)

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#### Savings* (at least 5% of monthly income)

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### Monthly Available Income (subtract taxes and savings from monthly income)

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### Monthly Expenses (add all expenses)

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#### Food (11% of monthly available income)

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#### Rent/Mortgage** (16% of monthly available income)

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- $400 2 bedrooms/1 bath
- $500 2 bedrooms/2 baths
- $750 3 bedrooms/2 baths/2 car garage
- $850 3 bedrooms/2 baths/2 car garage/family room
- $1000 4 bedrooms/2 baths/2 car garage/family room/game room

#### Utilities (gas, electricity, water = 3% of monthly available income)

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#### Telephone

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#### Insurance

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#### Transportation (7% of monthly available income)

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- Car (car payment, gas/oil, car insurance)
  - $250 Economy; seats 2; no A/C
  - $450 Midsize; seats 4; no special features
  - $600 Sports model
  - $650 Full-size sedan
  - $125 Use bus; no car

#### Miscellaneous Expenses

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#### Medical (9% of monthly available income)

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#### Clothing (4% of monthly available income)

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#### Charitable Contributions

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#### Recreation/Entertainment

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#### Other

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#### Total Expenses (subtract total expenses from monthly available income)

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#### Surplus or Shortage

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* This budget plans early for savings to ensure that some money will be set aside for future use.

** These averages will vary based on the cost of living in your particular region.
Lesson 3: Comparing and Analyzing Interest Rates

Lesson Overview:

Students should be able to compare and analyze interest rates between short-term and long-term savings instruments.

Pacing:

Approximately 90 to 135 minutes are needed to complete this lesson.

Materials:

- Access to the Internet for teacher and students
- Computers with a spreadsheet program
- Current interest rates for savings and CDs from a local bank or credit union

Background Information:

Various savings plans are available to consumers. These include regular savings accounts, money market accounts, and certificates of deposit (CDs). Each of these is usually for a different reason. Short-term savings in a regular savings account could be used to buy an item that costs more than the person has. Long-term Certificates of Deposit, on the other hand, are for a specified period of time and lock up the principle until the time period is over. Both types of savings are good, but each also has its own particular use.

Student Outcomes:

- The student will be able to compare and analyze interest rates between short-term and long-term savings instruments.

Essential Questions:

Do I need a basic savings account or a long-term investment CD?

Do I need to be able to get to my money quickly?

Is it possible to shop different banks or other financial institutions and get a better interest rate?
**Vocabulary:**

*Interest rate*
Interest rate is the price that someone pays for the temporary use of someone else’s funds. Interest is also a compensation that someone receives for temporarily giving up the ability to spend money.

*Annual Percentage Rate (APR)*
Annual percentage rate (APR) is a rate that shows the total cost of credit annually. It includes a percentage of the principal as interest on a loan plus other costs (e.g., points on a mortgage loan, service changes).

*Simple interest*
Simple interest is calculated as a percentage of the principal over a certain period (usually annually).

*Compound interest*
Compound interest is interest that is calculated not only on the initial principal but also the accumulated interest of prior periods.

*Certificate of deposit (CD)*
A CD is a form of time deposit at a bank or other savings institution. A time deposit cannot be withdrawn before a specific maturity date without being subject to an interest penalty for early withdrawal. Small-denomination CDs are often purchased by individuals. Large CDs of $100,000 or more are often in negotiable form, meaning they can be sold or transferred among holders until maturity.

*Savings*
Savings is money that has been put away for future use is referred to as savings.

*Investments*
Investments are property or other possessions acquired for future financial return or benefit is an investment. A commitment of time is also an investment (e.g., to education or career training).

*Maturity*
Maturity is the date on which the principal amount of a note, draft, acceptance bond, or other debt instrument becomes due. Funds may be repaid to the investor and interest payments stop. It is also the termination due date on which an installment loan must be paid in full.

*Risk*
Risk is the uncertainty as to the outcome of an event or the chance of loss.

*Yield*
The profit obtained from an investment is called a yield or a return.
Instructional Steps:

Step 1: Have students solve several interest-rate math problems. Allow them to create a spreadsheet or use the calculator feature on the computer.

Step 2: Introduce the short- and long-term savings and investment choices. Demonstrate how to calculate simple and compound interest using http://www.practicalmoneyskills.com/english/pdf/teachers/lev_3/lesson_12/12_E.pdf. Use a spreadsheet program to calculate compound interest over time. Use the following website http://zenhabits.net/2007/10/10-lessons-to-teach-your-kids-about-money/ to discuss the differences and similarities that saving to buy a big ticket item or purchasing it outright can make on a person’s budget and daily buying habits.

Step 3: Have students examine the chart presented at http://www.practicalmoneyskills.com/english/pdf/teachers/lev_3/lesson_12/12_O.pdf to learn what different plans offer. Then, examine the cost and benefits of saving for a major project like a car, a house, or college.


Enrichment/Differentiation Ideas:

Have students investigate and open their own regular savings account at a local bank or credit union.

Have students gather CD interest rates from several banks or credit unions and report their findings to the class.

Ask students to continue creating their own personal financial folders that will hold all of the documents created during this series of lessons.

Have students continue to operate the bank they started in one of the earlier lessons by adding ‘online’ capability. The online capacity could be based on a spreadsheet that is saved and available on a public access network drive or the school network.

Assessment Ideas:

Check students’ work on independent practice worksheet at this website: http://www.practicalmoneyskills.com/english/pdf/teachers/lev_3/lesson_12/12_2key.pdf
Additional Resources:

**For Students:**
http://www.publicdebt.treas.gov/sav/savkids.htm  This link will take the student to a website offered by the U.S. Office of Public Debt that is all about U.S. Savings Bonds.
http://money.howstuffworks.com/bank12.htm  is a thorough series of links explaining how banks work and information on financial planning.

**For Teachers:**
http://www.newyorkfed.org/education/define.html  This site gives definitions and background information for interest rates.
http://www.publicdebt.treas.gov/mar/marmoneymath.htm  Money Math has a wide variety of resources for educators, especially materials pertaining to bonds.