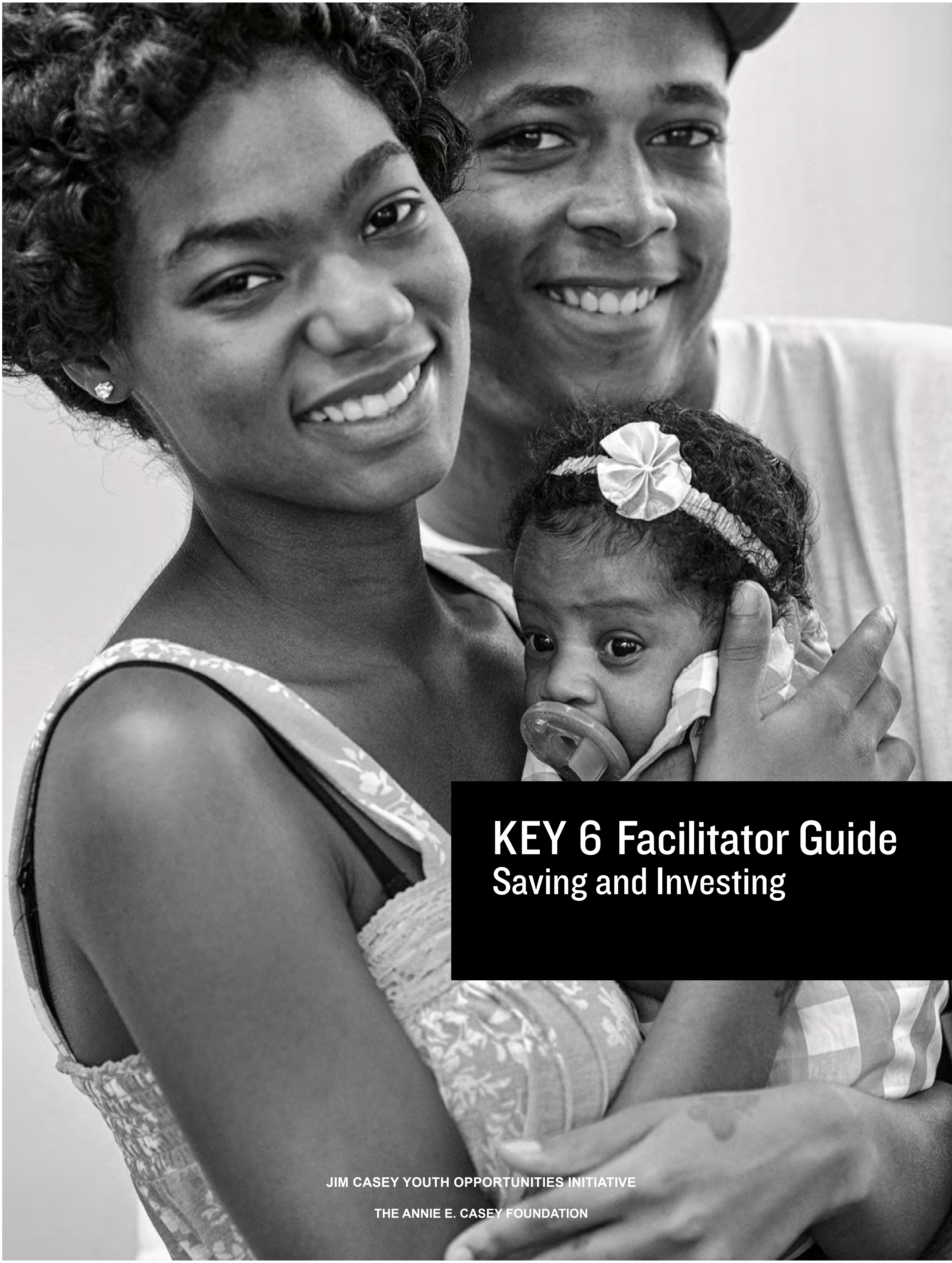

KEY 6 Facilitator Guide
Saving and Investing

JIM CASEY YOUTH OPPORTUNITIES INITIATIVE

THE ANNIE E. CASEY FOUNDATION

KEY 6 SAVING AND INVESTING

FACILITATOR GUIDE

STOP **Read the *Guide to Facilitating Keys to Your Financial Future* if you have not already done so. This important resource will provide you with information and tips to effectively and efficiently use this curriculum.**

Introduction

This facilitator guide includes complete instructions for leading activities to provide a highly interactive training for young people. All instructions are next to their corresponding pages in the participant guide — instructions on the left and the participant guide on the right. The participant guide pages included in the facilitator guide have answers to activities and exercises — the answers are NOT included in the participant guides. This is meant to help you as a facilitator understand the range of answers that may come from participants and highlight answers that participants may not have considered.

Where you are prompted to provide information, use the text within the participant guide on the right side. The same information is NOT repeated in the instructions on the left side to keep the instructions as streamlined as possible with a focus on setting up, facilitating and processing activities.

Finally, you may be tempted to cut activities or small group work to save time and present the information instead. Avoid this. If you are pressed for time, cover less material in the key. Discussions, exercises and activities in pairs or small groups are more engaging and therefore, more effective.

Before the training:

- ☐ Set up the room so small groups of participants are sitting around tables.
- ☐ Make sure you have flipcharts or a whiteboard and the appropriate markers. Only use black, blue, brown, purple and dark green markers.
- ☐ Review the facilitator guide. This includes reading the corresponding page in the participant guide. Remember, most content is contained in the participant guide — the right side of this document.
- ☐ Prepare/set up for specific activities using "Notes" in the facilitator guide.
- ☐ Develop your own examples to augment information provided in the participant guide and facilitator guide.
- ☐ Identify local resources where prompted so you can share and discuss them with the participants.

KEY 6 Participant Guide
Saving and Investing

JIM CASEY YOUTH OPPORTUNITIES INITIATIVE

THE ANNIE E. CASEY FOUNDATION

Introduction (continued)

List of training activities:

TRAINING METHOD	TOPIC	TIME ESTIMATE
Presentation	Welcome and Session Objectives	5 minutes
Exercise in Pairs (Optional)	Opener (Optional) *Need copies of grid and check — please download Key 6: Savings Activity from the website*	10 minutes
Facilitated Discussion	Saving vs. Investing and Key Activity: The Difference Between Saving and Investing	5 minutes
Large Group Brainstorm	Key Activity: Where Do People Save and Invest?	5 minutes
Presentation and Small Group Activity	Foundation for Saving and Investing and Key Activity: Alejandro Plans to Save or Invest	7 minutes
Presentation OR Bingo Game	Know the Lingo: Saving and Investing *Need props — please download Key 6: Savings Bingo Activity from the website*	5 OR 10 minutes
Small Group Brainstorm	Finding Money to Save	5 minutes
Facilitated Discussion	The Time Value of Money	5 minutes
Presentation and Small Group Exercises	Compound Your Money; Key Activity: Jordan and Jeremiah Learn About Compounding; and Key Activity: Haruto and Hailey Learn About Saving Early	15 minutes
Individual Activity (Optional)	Wrap Up: Saving and Investing (Optional)	5 minutes
Closing	Key Information From This Section	2 minutes
Closing Activity (Optional)		5 minutes
TOTAL TIME ESTIMATE		Approx. 1 hour, not including optional activities

KEY 6 Participant Guide
Saving and Investing

JIM CASEY YOUTH OPPORTUNITIES INITIATIVE

THE ANNIE E. CASEY FOUNDATION

PRESENTATION
Welcome and Session Objectives

5
minutes

- Welcome participants.

- Explain the following:
  - o ***Keys to Your Financial Future*** is designed to help you plan how to get, manage and use money now and in the future so you can have the life you envision for yourself.
  - o This sixth section of ***Keys to Your Financial Future*** is about saving and investing.

- Quickly orient participants to the contents in the key using the table of contents on page 2 of the participant guide.

Note: The term "key" is used instead of module or chapter throughout this curriculum.

- Explain the following:
  - o We will be talking about many Key Concepts as a group, but we will also do some activities in pairs or small groups.
  - o Working with a partner or in small groups will help keep this training more interesting and help you practice some of the ideas we are learning together.

Note: Before training, read through the facilitator guide and figure out how to identify the pairs and small groups for each activity. There is guidance with many of the activities, but you may want to think about: group dynamics — consider moving participants to different groups during the training to improve the training environment; group size — if there are only five participants, breaking into small groups may not make sense but working with a partner may; and room arrangement — everyone around one table, participants seated around tables or participants sitting at desks. (Participants sitting at desks is not advisable but may be unavoidable depending on the resources you have in your community for training space.)

KEY 6
Saving and Investing

"Saving and Investing" is the sixth key in *Keys to Your Financial Future,* a financial capability curriculum for young people. This key covers the basics of saving and investing, including how to find money to save and where to save and invest. Key 6 also examines the relationship between risk and return, how to lessen different types of risk, understanding the time value of money and how compounding works.

What You'll Find in This Key

PRESENTATION (continued)
Welcome and Session Objectives

- Review the session objectives on page 3 of the participant guide — What You're Going to Know or Be Able to Do.

Note: Paraphrase them; don't read them.

SUMMARIZE/TRANSITION

- *Let's start by learning about vision and its importance to financial capability.*

What You're Going to Know or Be Able to Do

By the end of this key, you'll know or be able to do the following:

- ☐ **DIFFERENTIATE** between saving and investing.
- ☐ **LIST WAYS** to find money to save in your budget and identify strategies that will work for you.
- ☐ **EXPLAIN** where you can save and where you can invest.
- ☐ **DEFINE** key terms about saving and investing.
- ☐ **EXPLAIN** inflation and the reasons it's important to understand when saving and investing.
- ☐ **EXPLAIN** the time value of money and compounding.

EXERCISE IN PAIRS (optional)
Opener

10
minutes

Note: Before the training, be sure to make copies of the penny-doubled grid and the check (you can download *Key 6: Savings Activity* from the website) — enough to give one copy of both items to each group of two. If you have 20 participants in your training, make 10. Give each pair a penny as well.

- Explain the following:
  - o I am going to give you a choice: You can get $10,000 in 30 days, OR I will give you a penny today and double it each day for 30 days.

- Ask participants to raise their hand to indicate their choice and pair participants.

- Give one member of the pair a copy of the check for $10,000 payable in 30 days and the other a penny and a blank penny-doubled grid.

- In pairs, have them calculate what the person getting the penny today would have in 30 days.

- After 5 minutes, ask participants again, which they would rather have: $10,000 in 30 days OR a penny today doubled each day for 30 days.

Note: A penny doubled each day for 30 days gives you $5,368,709.12. This is worked out on the answer key.

ASK: *What does this exercise have to do with saving and investing?*

- After getting a few responses, summarize by stating:
  - o *Even if your savings or investments are small, it's better to start somewhere rather than not start at all.*
  - o *And by starting, you give your money the chance to grow over months and years to come. Time matters.*
  - o *This also shows the power of compounding — letting the money you earn on an initial investment get rolled back into the principal, so it earns interest.*
  - o *Additionally, there is a message about patience and perseverance in this example.*
  - o *If you pulled the money out on day 15 because you didn't want to wait or didn't feel you could wait, how much would have been earned? ($163.84)*
  - o *Saving and investing is the key to building assets and economic security.*
  - o *Finally, remember the next time you see a penny on the street to make time to bend down and pick it up. You never know, you could be potentially holding $5,368,709.12 in your hand.*

SUMMARIZE/TRANSITION

- *You are going to learn more about saving and investing in this session.*

Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7
$.01	$.02	$.04	$.08	$.16	$.32	$.64
Day 8	Day 9	Day 10	Day 11	Day 12	Day 13	Day 14
$1.28	$2.56	$5.12	$10.24	$ 20.48	$40.96	$81.92
Day 15	Day 16	Day 17	Day 18	Day 19	Day 20	Day 21
$163.84	$327.68	$655.36	$1.310.72	$2,621.44	$5,242.88	$ 10,485.76
Day 22	Day 23	Day 24	Day 25	Day 26	Day 27	Day 28
$20,971.52	$41,943.04	$83,886.08	$167,772.16	$ 335,544.32	$ 671.088.64	$1,342,177.28
Day 29	Day 30					
$2,684,354.56	$5,368,709.12	.				

FACILITATED DISCUSSION
Saving vs. Investing and Key Activity: The Difference Between Saving and Investing

5
minutes

ASK: ***What are some of the differences between saving and investing?***

- Write participant responses on a flipchart or whiteboard.
- Add to their contributions from the examples in the answer key.

SUMMARY/TRANSITION

- *Before you put money into a savings account or invest it, you must save it — this means set it aside.*
- *This means giving up the opportunity to spend money now but gaining the opportunity to have those funds available to you in the future.*
- *Saving can be hard especially if you don't have regular income or if you don't have enough income to cover your needs, obligations and wants.*
- ***The truth is most people feel like they never have enough money to save.***
- *The key to building assets is saving, and economic security is making the choice to save and doing it regularly.*
- *But where do people save and invest?*

KEY
Concept

THE ROLE OF SAVING IN INVESTING

People use the terms saving and investing interchangeably. Are they the same? No.

Whether you put money into a savings account or a mutual fund, you must save money first. This means you must decide to set it aside — not spend it on other things — for use later.

SAVING VS. INVESTING

Are **saving** and **investing** the same thing? They are similar, but different.

Before you put money into savings or invest money, you must save. Saving money means setting aside income today for use at some time in the future. It means not spending a portion of the money you have now.

Saving can be hard. You may not have enough income to cover your *needs, obligations or wants*. You may have never saved money before. Or you may not want to save right now.

And with the money you have saved, you need to decide if you want to put it into a savings or investment vehicle.

KEY ACTIVITY

The Difference Between Saving and Investing

List the differences between saving and investing.

SAVING	INVESTING
• Setting money aside • Generally considered to have little risk • Do not earn anything from setting money aside	• Putting money into something else so it earns more money • Generally (but not always) the higher the return, the higher the risk • Can lose the money you invest

Savings vehicles do not earn much interest. But they offer safety. With money in a federally insured bank or credit union, principal cannot be lost (if you stay within the insurance limits).

When people invest their money, they expect larger returns. They expect their money to earn more money. For the opportunity to earn larger returns, they are generally taking on more risk.

LARGE GROUP BRAINSTORM
Key Activity: Where Do People Save and Invest?

5
minutes

- Instruct participants to brainstorm places where people save money and where they invest money.

- Go back through the list and ask people to describe what they know about each savings vehicle.

- Add to their definition using the materials in the answer key.

- **Note:** If the terms IRA (Individual Retirement Account), 401(k) or 403(b) are shared, put this information in the middle of the columns. These are retirement accounts. They are designated for tax purposes. An individual must still decide where to put the money — he or she must pick the savings or investment vehicle.

KEY ACTIVITY

Where Do People Save and Invest?

List where people save and where people invest their money.

SAVE	INVEST
• Savings account (also called a share account at a credit union) • Checking account • Certificate of deposit • Money market deposit account • In a jar • Under a mattress • On a prepaid card	• Stocks • Bonds • Mutual funds • Exchange-traded funds • Money market mutual funds • Treasury securities • Your own business • The business of a friend • Your own education

The most common types of savings vehicles are:

☐ **Savings accounts** (also called share accounts in credit unions) — Savings accounts are deposit accounts at banks or credit unions. Interest is earned on savings accounts, but currently the rate is very low (generally less than 1 percent).

☐ **Certificates of deposit (CDs)** — CDs are savings vehicles into which money is deposited for a fixed time period at a fixed return. The higher the amount invested and the longer the time period, the higher the interest rate you will earn.

☐ **Money market deposit accounts** — Money market deposit accounts are interest-bearing savings accounts with limited transaction privileges (six withdrawals with no more than three as checks), higher minimum balance requirements and higher rates of interest than a savings account.

LARGE GROUP BRAINSTORM (continued)
Key Activity: Where Do People Save and Invest?

- Review Key Concept: Securities and Key Concept: What About Individual Retirement Accounts.

Note: Individual Retirement Accounts are commonly called IRAs.

SECURITIES

Securities are issued by companies or governments. They give the holder ownership rights, debt rights and the right to trade and sell them. Bonds and stocks are examples of securities.

WHAT ABOUT INDIVIDUAL RETIREMENT ACCOUNTS?

You may be wondering why individual retirement accounts (IRAs) and 401(k)s are not listed with the securities. This is because retirement savings is a designation of your savings. Once you decide that you are going to put some of your savings away for retirement, you still must choose the savings or investment vehicle for that money.

For example, if you set up an IRA with a bank, a mutual fund company or a brokerage firm, you still must decide where to put that money: into a savings account, a certificate of deposit or a specific mutual fund.

The most common kinds of investment vehicles are:

- ☐ **Money market mutual fund** — A money market mutual fund is a mutual fund made up of short-term debt securities that mature in less than 13 months. This limits the risk of these funds. These are not FDIC insured although they are generally considered very low risk and may be available from banks and credit unions.

- ☐ **Treasury securities** — The U.S. Treasury issues securities to raise the money needed to operate the federal government and to pay off its debt. They are generally considered safe because *"the full faith and credit of the U.S. government"* guarantees interest and principal payments will be paid on time. Common treasury securities are savings bonds, treasury bills, treasury notes, treasury bonds and TIPS. (See www.treasurydirect.gov for more information on Treasury securities.)

- ☐ **Bonds** — Bonds are issued when governments (federal, state or city) or corporations need to borrow money. They agree to pay back the money they borrow from you at a certain date in the future with interest. Some bonds carry very little risk. Some bonds are risky.

- ☐ **Stocks** — Stocks are investments that represent ownership in a company. When you invest in a stock, you are getting equity in a company.

- ☐ **Mutual funds** — Mutual funds are pools of money managed by professionals. The managers invest the money in stocks or bonds; you buy shares in the mutual fund. Mutual funds are actively managed, and fund companies charge fees for the services they provide. Mutual funds are traded once at the end of the trading day based on net asset value.

- ☐ **Exchange-traded funds (ETFs)**— ETFs are funds that track an index. They are not actively managed like mutual funds. They have lower operating and transaction costs compared with mutual funds. They can also be traded like stocks.

These products are sold directly by corporations, brokerage firms, financial advisors, the federal government, banks, credit unions and mutual fund companies.

PRESENTATION AND SMALL GROUP ACTIVITY
Foundation for Saving and Investing and Key Activity: Alejandro Plans to Save or Invest

7 minutes

- Explain the foundation for saving and investing.
- Review Key Concept: Foundation for Saving and Investing. Be sure to highlight the three questions an individual should ask himself/herself before deciding where to put his/her money.

FOUNDATION FOR SAVING AND INVESTING

No matter where you put your money, it is important to think about the reason you are saving or investing. In fact, your reason or goal is one of the foundations of saving and investing.

Why do goals matter in saving and investing? Goals help you determine how much money you need. Go back to the goals you wrote in Key 1. These are your reasons for saving and investing.

Secondly, you will need to determine when you need the money. This is your time frame. If you have written SMART goals, your time frame is included in the goals.

Finally, your **risk tolerance** will screen in or out certain kinds of savings and investment vehicles. If you are not comfortable now with risking the money you invest, you may want to go with savings vehicles. How do you find your risk tolerance? There are many online instruments that can help you assess your risk.

If you have a high stakes goal and a short time frame, savings vehicles will ensure that the money you save is there when you need it. The market can change, or fluctuate a lot. Many financial advisors recommend thinking about investing for longer-term goals — where you may not need the money for years. If the market falls and stocks (or mutual funds or other investment vehicles) drop in value, then you have time to make up the loss.

KEY Concept

FOUNDATION FOR SAVING AND INVESTING

Before putting your money in a savings or investment vehicle, answer these questions:

1. What are you investing for and how much do you need? This is your goal.
2. When do you need that money? This is the time frame.
3. How much risk can you take? This is your risk tolerance.

The answers to these questions help determine where to save or invest your money.

PRESENTATION AND SMALL GROUP ACTIVITY (continued)
Foundation for Saving and Investing and Key Activity: Alejandro Plans to Save or Invest

- Instruct participants to work in groups and read the scenario from Key Activity: Alejandro Plans to Save or Invest.
- Ask them to discuss and answer the questions that follow based on the information provided in the scenario.
- Explain Key Concept: Investing Under 18 on page 9.

SUMMARIZE/TRANSITION

- *Now that you know saving and investing, we're going to look at the key terminology related to saving and investing.*

KEY ACTIVITY

Alejandro Plans to Save or Invest

Read the following and answer the questions that follow it.

Alejandro is 18 years old and in care. He wants to save for trade school — his goal is to become an electrician. He has estimated that the Chafee ETV program plus some additional state funding will cover his tuition, fees and books. He wants to save for his own equipment as well as living expenses while studying.

He has taken a risk tolerance assessment and knows he has an above average tolerance for risk.

He will graduate from high school in 15 months. Through his part-time job, he thinks he can save about $200 per month. He is trying to decide between a savings account and shares of stock in a popular social media company.

A savings account will earn 1 percent. He can buy stock for $51 per share. He figures it will only go up and that he can sell it in 15 months for a profit.

What is his goal?

He wants to become an electrician. He wants to save to pay for his own equipment and some living expenses while in trade school. (Note: This is not a SMART goal. You can point this out and ask participants how they would rewrite it as a SMART goal once you answer all the questions.)

When does he need the money?

In 15 months.

What is his tolerance for risk?

Above average. (Note: Risk assessments are somewhat subjective measures. Even if someone can tolerate exposure to more risk, it does not mean they make overly risky or foolhardy decisions. In this case, of course, the time frame should rule the decision making.)

Where should Alejandro put his $200 savings each month?

Savings. He needs that money in 15 months. If the stock market should perform poorly, he could lose all earnings and even some or most of his principal — what he invested ($200 per month or $3,000). In addition, he would not have enough time to wait for the market to rebound to make his investment grow because he needs the money so soon.

PRESENTATION OR BINGO GAME
Know the Lingo: Saving and Investing

5 or 10 minutes

OPTION 1: Presentation

- Explain key terminology related to saving and investing using the materials on pages 9 and 10.

- Highlight the "safety" provided by funds put into savings, checking or CDs at federally insured financial institutions.

OPTION 2: Bingo Game

Note: Before the training, download *Key 6: Savings Bingo Activity* from the website print out the bingo cards (enough for each person or pair of participants to have one) and the definitions. Cut the definitions into individual cards and put them in a bowl or something to draw out of.

You can also provide markers or something to cover each bingo square. Or just instruct participants to "x" a square.

- Go over the general directions for bingo.

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- Explain that you will read directions and they should mark the space if they have the word that matches the definition of their card.

- Pull the definitions out of the bowl or bag one at a time and read them.

- Give participants a few seconds to determine if they have the word.

- Be sure to keep track of what you've pulled out in the order you pull them out, so you can check the answers of the individual who calls "bingo" first.

Note: Consider a simple reward for the bingo winners.

- Review any other definitions not covered by bingo or those that participants have questions about.

KNOW THE LINGO: SAVING AND INVESTING

While there are many technical terms used in the saving and investing profession, following are ones you should know to start:

- ☐ **Principal** — the money you put into savings or investments.
- ☐ **Returns** — what you earn on the money you save or invest.

And there are three common types of returns:

- ☐ **Interest** — amount agreed by a bank, credit union, corporation or government to be paid for the use of your money. This is expressed as a percentage.
- ☐ **Dividends** — a portion of a corporation's profits given back to shareholders. Dividends can be cash or more shares.
- ☐ **Increased share value** — the amount you earn because the market value of your share is greater than what you paid for it. Increases in share value raise your portfolio value but only create income or cash if you sell them.

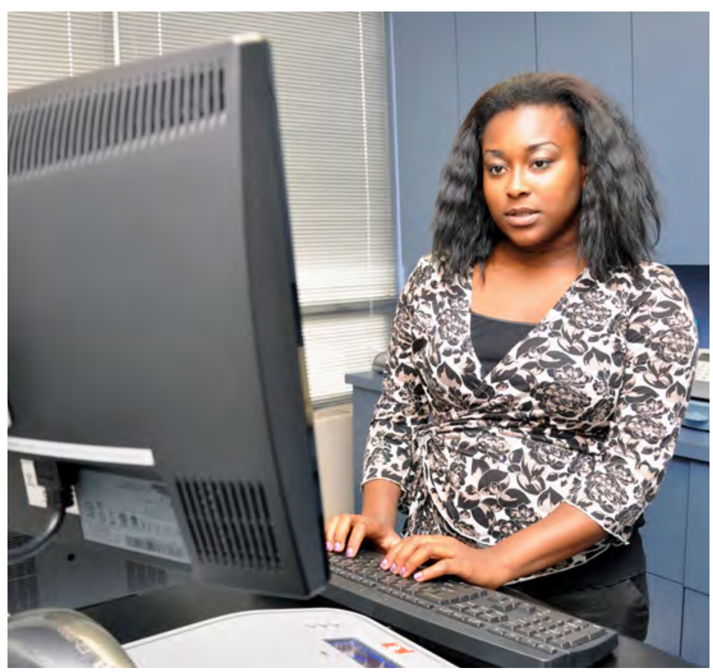
KEY Concept

INVESTING UNDER 18

As with most accounts at banks and credit unions, you cannot invest unless it is through a parent, guardian or another adult before you are 18 or the age of majority in your state.

Principal is considered "safe" in savings because deposits in banks and credit unions are generally insured. These include savings accounts, checking accounts, certificates of deposit and money market deposit accounts.

How do you know if a bank or credit union is insured? If it is a bank, it will display the FDIC logo on its front door and all its publications. FDIC stands for the Federal Deposit Insurance Corporation. Similarly, credit unions will have the NCUA logo. NCUA stands for National Credit Union Administration, which administers the National Credit Union Share Insurance Fund (NCUSIF).



Your deposits will be insured up to $250,000 per account ownership category at any one institution.

Where is your principal at risk? Technically every investment carries the risk of principal loss. Some investment vehicles like U.S. savings bonds have very little risk, though.

If you invest through a brokerage and it *fails*, AND it is insured by **SIPC** (Securities Investor Protection Corporation), you may be able to recover some of your losses. Generally, the maximum is $500,000 with $100,000 for cash claims. However, you can never recover losses due to market changes through insurance.

SMALL GROUP BRAINSTORM
Finding Money to Save

5 minutes

Note: This activity was also included in Key 1. If you have already done this activity one time, do not do it again. Instead quickly review the list of ideas in the participant guide.

- Give each group a piece of flipchart paper.
- Tell participants they are going to have a contest. The group with the most ideas is the winning group.
- Ask them to brainstorm as many ideas for finding money to save as they can. Instruct them to write these ideas on their flipchart paper.
- Give them 2 minutes.
- Find out which group had the most ideas and invite the group to present its ideas.
- Applaud them; reward them if you are using prizes in your training.
- Add to the ideas by inviting other groups to share ideas not already presented and by using those in the participant guide on page 10.
- Invite participants to write new ideas in the participant guide on page 10.
- Instruct participants to review the list of savings strategies and circle three strategies they think could work (see Key Activity: Savings Strategies That Work for You on page 11).
- Review Key Concept: Successful Saving.

SUMMARIZE/TRANSITION

- *Saving and investing starts with saving money.*
- *Hopefully, you have ideas for both saving money and making it automatic.*
- *Now we are going to learn about two important concepts — the time value of money and compounding.*

FINDING MONEY TO SAVE

Before you save OR invest, you must find money to save. People who save successfully think about ways to make it automatic — you make the decision to save one time and then set up a system to make that happen. When selecting your savings strategies, see if you can find ways to automate your savings.

Here is a list of some ways to save for your goals even if you don't have a job or regular income:

- ☐ **Keep the change.** Designate a jar or box. Put all your change into this jar or box at the end of each day. Count it after one month. You may be surprised to see how quickly your change can add up.
- ☐ **Commit to saving in advance.** Decide that you will save 25 percent of all money you get in advance. If you get $10 from a family member or friend as a gift, you put $2.50 into your savings jar or account.
- ☐ **Use direct deposit.** If you have a job, have your paycheck deposited into a checking account and have a portion of that transferred to a savings account automatically every pay period.
- ☐ **Cut back your spending on one thing** — coffee, meals out or music purchases — and redirect those funds to saving.
- ☐ **Shop smart.** Look for generic instead of brand-name items. Use a shopping list — if it's not on the list, don't get it. Wait 24 hours before making any big purchases. Think about the following: Do you need the item? Will it help you reach your goals or your vision? ***Save your savings from shopping smart.***

KEY Concept

SUCCESSFUL SAVING

People that save figure out ways to make their savings automatic. What does this mean? They generally decide once and set up a system that enables them to save without thinking about it.

Direct deposit is one way to do this, but you must have a regular paycheck for direct deposit. You can have your paycheck automatically put into a savings account or split between savings and checking. You can also have your paycheck directly deposited onto a payroll card or prepaid card (prepaid debit card or reloadable prepaid card) if you don't have a bank account. Some of these have a savings or purse feature.

You can also set up rules for yourself. For example, your rule could be to save 10 percent of any income you receive.

- ☐ **Pay your bills on time.** This will keep you from paying fees. Set up **automatic bill payment** for bills you pay regularly using online banking services. This will keep you from being late. But, make sure you have enough money in your account when the bills are due. The money is automatically deducted from your **checking account** or **prepaid card**.
- ☐ **Save unexpected income.** If you get a gift, overtime pay or a **tax refund** you have not already budgeted, save that money.
- ☐ **Make a commitment to yourself.** Commit yourself to saving for your goals. This will help you lead the life you envision for yourself.
- ☐ **Other ideas for finding money to save for your goals:**

Answers will vary.

FACILITATED DISCUSSION
The Time Value of Money

5
minutes

ASK: ***What are the reasons money today is better than money in the future?***

- Write participant responses on a flipchart or whiteboard.
- Add to their contributions using the information in the answer key.

Note: You may want to write the examples from the answer key on a flipchart or whiteboard as you explain them.

- Explain the following:
  - o Using the inflation calculator at the U.S. Bureau of Labor Statistics, if I bought something in 1999 for $100, that same item today would cost about $150.
  - o Alternatively, something that costs $100 would have likely cost about $66 in 1990.
  - o With inflation, it takes more money to buy the same item each year.
  - o Inflation is measured by the Consumer Price Index (CPI) and the Producer Price Index (PPI).
  - o The PPI measures changes in wholesale prices — this is what businesses sell goods and services to one another for. Generally, this will increase before the CPI. The CPI measures the average change in price of a bunch of consumer goods.

KEY ACTIVITY

Savings Strategies That Work for You

Review the list of saving strategies. Check three strategies you think could work for you.

THE TIME VALUE OF MONEY

The basic idea behind the time value of money is that money today is worth more than money in the future — $100 today is better than $100 a year from today.

What is the reason money today is better than money in the future?

First, the sooner you have money the sooner you can get it working for you — in savings or investing. And the more compounding periods you have, the faster your money will grow. You can think back to our opening exercise. A penny today doubled daily turned out to be better than $10,000 in 30 days. As time marches on, a dollar is worth less. A dollar 12 months from now will buy less than a dollar today. This is because of inflation — the gradual increase in the cost of everything. In the United States, the inflation rate on average is 3 percent a year. The result of inflation is that each year, one dollar buys less than it did the year before.

KEY Concept

WHAT IS INFLATION?

Inflation is something you may understand from the news. Or from having purchased things from year to year. But you may not have ever really understood the definition of it. Inflation is the gradual increase in prices. In the United States, the inflation rate on average is 3 percent a year. Due to inflation, one dollar buys less than it did the year before.

What is behind inflation? Many things. One key reason has to do with the price of raw materials. For example, if the price of barrels of oil goes up, then the cost of gasoline will rise and every business that uses gasoline will experience an increase in costs. Then, they increase the price of what they sell to the end consumer to cover the rise in their costs.

A dollar today is worth less than a dollar 10 years ago because of inflation. For example, if something cost $100 in 1999, that same item today would cost around $150. Alternatively, something that costs $100 today could have been purchased for $66 in 1999.[‡]

Another reason money today is better than money next year is that you have a whole year to save or invest and earn money on those funds received today. And those earnings can be reinvested one year from now.

[‡] Calculated using the inflation calculator at www.westegg.com.

COMPOUND YOUR MONEY

Returns from money in savings or investments reinvested earn more. This is called compounding. **Compounding** works *for you*. Compounding returns and time earn money when saving and investing.

If you leave the money alone, the returns you have earned get added back into the principal. Then your principal, plus the returns, earns more. The longer time you leave your money in a savings or an investment account, the more this happens —

PRESENTATION AND SMALL GROUP EXERCISES
Compound Your Money; Key Activity: Jordan and Jeremiah Learn About Compounding; and Key Activity: Haruto and Hailey Learn About Saving Early

15 minutes

- Explain the basics of compounding using the information from pages 11 and 12 of the participant guide.
- Ask participants if they have any questions.
- In groups, instruct participants to read the scenarios for and complete the questions that follow the two key activities:
  Key Activity: Jordan and Jeremiah Learn About Compounding
  Key Activity: Haruto and Hailey Learn About Saving Early
- Provide a few minutes for each activity.
- Ask for answers from the groups.
- Provide the correct answers using the answer key:

SUMMARIZE/TRANSITION

- *The key to making your money work for you is compounding — reinvesting your returns so they earn returns.*
- *Remember, the earlier you save and invest, the more compounding periods your money has to work for you.*

the more the returns compound. This is how money makes money. Finally, the more often money compounds and the earlier the money is put into savings or investments to compound, the better.

Money can compound on a daily, monthly or quarterly basis. Money that compounds monthly will earn more than money that compounds quarterly. And money that compounds daily (or continuously) will earn more than money compounded monthly.

KEY ACTIVITY

Jordan and Jeremiah Learn About Compounding

Jordan and Jeremiah each have $1,000 to deposit into an account. Jordan found a savings account that earned 2 percent with compounding quarterly. Jeremiah found a savings account that earned 2 percent with compounding monthly. Compare their returns after 12 months.

JORDAN'S SAVINGS ACCOUNT		
Principal	Earnings	Total
$ 1,000.00	$ 12.50	$ 1,012.50
$ 1,012.50	$ 12.66	$ 1,025.16
$ 1,025.16	$ 12.81	$ 1,037.97
$ 1,037.97	$ 12.97	$ 1,050.95
	$ 50.95	

JEREMIAH'S SAVINGS ACCOUNT		
Principal	Earnings	Total
$ 1,000.00	$ 4.17	$ 1,004.17
$ 1,004.17	$ 4.18	$ 1,008.35
$ 1,008.35	$ 4.20	$ 1,012.55
$ 1,012.55	$ 4.22	$ 1,016.77
$ 1,016.77	$ 4.24	$ 1,021.01
$ 1,021.01	$ 4.25	$ 1,025.26
$ 1,025.26	$ 4.27	$ 1,029.53
$ 1,029.53	$ 4.29	$ 1,033.82
$ 1,033.82	$ 4.31	$ 1,038.13
$ 1,038.13	$ 4.33	$ 1,042.46
$ 1,042.46	$ 4.34	$ 1,046.80
$ 1,046.80	$ 4.36	$1,051.16
	$ 51.16	

Who earned more?

Jeremiah

How much more? Why?

$0.21 due to more frequent compounding

What could make the amount earned increase?

Add more to the principal.
Keep the money in the account longer.

Money invested earlier has more opportunities to compound and will earn more.

PRESENTATION AND SMALL GROUP EXERCISES (continued)
Compound Your Money;
Key Activity: Jordan and Jeremiah Learn About Compounding;
and Key Activity: Haruto and Hailey Learn About Saving Early

KEY ACTIVITY

Haruto and Hailey Learn About Saving Early

Haruto and Hailey both participated in the financial capability training. Inspired by what he learned, Haruto started saving and investing right away at age 18. Hailey wanted to take care of other things, and she didn't start saving and investing until she was 30.

They each invested $500 per year and earned on average after fees 5 percent.

HARUTO			
Age	Principal	Earnings	Total
18	$ 500.00	$ 25.00	$ 525.00
19	$ 1,025.00	$ 51.25	$ 1,076.25
20	$ 1,576.25	$ 78.81	$ 1,655.06
21	$ 2,155.06	$ 107.75	$ 2,262.82
22	$ 2,762.72	$ 138.14	$ 2,900.96
23	$ 3,400.96	$ 170.05	$ 3,571.00
24	$ 4,071.00	$ 203.55	$ 4,274.55
25	$ 4,774.55	$ 238.73	$ 5,013.28
26	$ 5,513.28	$ 275.66	$ 5,788.95
27	$ 6,288.95	$ 314.45	$ 6,603.39
28	$ 7,103.39	$ 355.17	$ 7,458.56
29	$ 7,958.56	$ 397.93	$ 8,356.49
30	$ 8,856.49	$ 442.82	$ 9,299.32
31	$ 9,799.32	$ 489.97	$ 10,289.28
32	$ 10,789.28	$ 539.46	$ 11,328.75
33	$ 11,828.75	$ 591.44	$ 12,420.18
34	$ 12,920.18	$ 646.01	$ 13,566.19
35	$ 14,066.19	$ 703.31	$ 14,769.50
36	$ 15,269.50	$ 763.48	$ 16,032.98
37	$ 16,532.98	$ 826.65	$ 17,359.63
38	$ 17,859.63	$ 892.98	$ 18,752.61
39	$ 19,252.61	$ 962.63	$ 20,215.24
40	$ 20,715.24	$ 1,035.76	$ 21,751.00
	$ 11,500.00	$ 10,251.00	
	Total Principal	Total Earnings	

HAILEY			
Age	Principal	Earnings	Total
18	$	$ -	$ -
19	$	$ -	$ -
20	$	$ -	$ -
21	$	$ -	$ -
22	$	$ -	$ -
23	$	$ -	$ -
24	$	$ -	$ -
25	$	$ -	$ -
26	$	$ -	$ -
27	$	$ -	$ -
28	$	$ -	$ -
29	$	$ -	$ -
30	$ 500.00	$ 25.00	$ 525.00
31	$ 1,025.00	$ 51.25	$ 1,076.25
32	$ 1,576.25	$ 78.81	$ 1,655.06
33	$ 2,155.06	$ 107.75	$ 2,262.82
34	$ 2,762.82	$ 138.14	$ 2,900.96
35	$ 3,400.96	$ 170.05	$ 3,571.00
36	$ 4,071.00	$ 203.55	$ 4,274.55
37	$ 4,774.55	$ 238.73	$ 5,013.28
38	$ 5,513.28	$ 275.66	$ 5,788.95
39	$ 6,288.95	$ 314.45	$ 6,603.39
40	$ 7,103.39	$ 355.17	$ 7,458.56
	$ 5,500.00	$ 1,958.56	
	Total Principal	Total Earnings	

How much did Haruto save and then invest (principal)? How much did he earn?

$11,500; $10,251

PRESENTATION AND SMALL GROUP EXERCISES (continued)
Compound Your Money;
Key Activity: Jordan and Jeremiah Learn About Compounding;
and Key Activity: Haruto and Hailey Learn About Saving Early

How much did Hailey save and then invest (principal)? How much did she earn?

$5,500; $1,958.56

Haruto invested nearly twice as much as Hailey but earned nearly five times the amount. Why?

Haruto started saving earlier and had more compounding periods. His earnings were reinvested to earn more interest for 12 years BEFORE Hailey started saving and investing her money.

It may seem that the difference in earnings is because of the amount of principal invested. This does have an impact. But suppose Hailey invested at 30 the same amount as Haruto had up to that point in time — $6,000. Would their earnings be the same then?

An additional $6,000 invested to "catch up"

HAILEY			
Age	Principal	Earnings	Total
18	$	$ -	$ -
19	$	$ -	$ -
20	$	$ -	$ -
21	$	$ -	$ -
22	$	$ -	$ -
23	$	$ -	$ -
24	$	$ -	$ -
25	$	$ -	$ -
26	$	$ -	$ -
27	$	$ -	$ -
28	$	$ -	$ -
29	$	$ -	$ -
30	$ 6,500.00	$ 325.00	$ 6,825.00
31	$ 7,325.00	$ 366.25	$ 7,691.25
32	$ 8,191.25	$ 409.56	$ 8,660.81
33	$ 9,100.81	$ 455.04	$ 9,555.85
34	$ 10,055.85	$ 502.79	$ 10,558.65
35	$ 11,058.65	$ 552.93	$ 11,611.58
36	$ 12,111.58	$ 605.58	$ 12,717.16
37	$ 13,217.16	$ 660.86	$ 13,878.01
38	$ 14,378.01	$ 718.90	$ 15,096.92
39	$ 15,596.92	$ 779.85	$ 16,376.76
40	$ 16,876.76	$ 843.84	$ 17,720.60
	$ 11,500.00	$ 6,220.60	
	Total Principal	Total Earnings	

Why does Hailey STILL earn less than Haruto even though they invested the same amount of money?

Haruto's money had more time to compound, so his earnings earned more money.

INDIVIDUAL ACTIVITY (optional)
Wrap Up: Saving and Investing

5
minutes

- Congratulate participants on finishing up

.

- Instruct participants to complete the wrap-up page.

- After 5 minutes, review the answers in a participatory way — ask individuals to shout out their responses.

WRAP UP:
Saving and Investing

Congratulations on finishing this section of ***Keys to Your Financial Future***.

Let's check what you learned:

1. There is no difference between saving and investing.
   - [ ] True
   - [x] False

2. A stock is an example of a savings vehicle. Your principal is always safe with a stock.
   - [ ] True
   - [x] False

3. When you put money into a savings account or investment, you are generally building your net worth.
   - [x] True
   - [ ] False

4. The foundation for saving and investing is your goal, when you need the money and your risk tolerance.
   - [x] True
   - [ ] False

5. Returns from saving or investing include:
   - [ ] a. Interest
   - [ ] b. Dividends
   - [ ] c. Increased share value
   - [x] d. All of the above
   - [ ] e. None of the above

6. Inflation is when things cost less than they did in the past.
   - [ ] True
   - [x] False

CLOSING
Key Information From This Section

2 minutes

- Review the Key Information From This Section.

CLOSING ACTIVITY (optional)

5 minutes

- Have participants get into a circle.
- Start with a ball of yarn.
- Instruct participants that they are to answer one of the questions posted and then toss the ball of yarn to someone else in the circle. Explain that they should hold onto the yarn and then toss the ball.
- Allow the ball to be tossed to each participant at least two times.
- When the activity is over, you should have a web. Cut through the web and invite participants to keep that piece of yarn as a reminder of the reasons it's important to save and invest.

Example questions

1. What is the most important thing you have learned?
2. What step will you take tomorrow to start savings?
3. What is something — information, skill, resource or tool — that you will be able to use starting tomorrow?
4. How has your financial capability been strengthened or built through your experience?
5. Etc.

Note: You can make up your own questions for this activity.

Key Information From This Section

- ☐ **SAVING AND INVESTING ARE DIFFERENT.** But before you put money into savings or investments, you must save money — set aside income from today for use in the future.

- ☐ **SAVINGS VEHICLES —** savings accounts, checking accounts and certificates of deposit — do no earn much interest, but the principal is safe. Make sure the accounts are at a federally insured financial institution.

- ☐ **INVESTMENT VEHICLES —** stocks, bonds, mutual funds and exchange-traded funds — may earn more interest, but your principal may be at risk.

- ☐ **BEFORE DECIDING WHERE TO PUT THE MONEY YOU SAVE, DEFINE:**
  - your goal for saving or investing;
  - when you need the money; and
  - how much risk you can take.

- ☐ **REMEMBER, PRINCIPAL IS WHAT YOU SAVE OR INVEST, AND RETURNS ARE WHAT YOU EARN ON YOUR PRINCIPAL.** This can be interest, dividends or increased share value.

- ☐ **FINDING MONEY TO SAVE CAN BE HARD.** Try to make it automatic. Use direct deposit or set rules for yourself.

- ☐ **THE TIME VALUE OF MONEY** says money today is worth more than money in the future. This is because of inflation.

- ☐ **COMPOUNDING HELPS YOUR SAVINGS OR INVESTMENTS GROW FASTER.** By reinvesting your returns, they become part of your principal. Then you earn returns on your returns.

CLOSING ACTIVITY (optional) (continued)

SUMMARIZE/TRANSITION

- *You have learned a lot during the short time together in this training.*
- *Some of you will use these keys right away; for some of you, it may be a year or more before you start really needing these keys.*
- *Whether you need them now or at some point in the future, you have these keys. They are now your productive assets — you have knowledge, skills and resources that will help you get and keep other assets.*
- *As important as these keys is what you shared and learned from one another. You are all connected through this experience, through the support you provided to one another and through the opportunity you have before you to continue supporting one another as you develop financial capability and transition to financial independence.*

Note: Instruct participants to hold onto the yarn while you cut through the middle of it. Invite participants to each take a strand of the web with them to remind them of what they learned, the other people they learned with and the power of saving and investing.

Key Information From This Section

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The Annie E. Casey Foundation is a private philanthropy that creates a brighter future for the nation's children by developing solutions to strengthen families, build paths to economic opportunity and transform struggling communities into safer and healthier places to live, work and grow.

For more information, visit www.aecf.org.

ABOUT THE JIM CASEY YOUTH OPPORTUNITIES INITIATIVE

A unit of the Casey Foundation, the Jim Casey Youth Opportunities Initiative® works to improve outcomes for all young people in the United States ages 14 to 26 who have spent at least one day in foster care after their 14th birthday — a population of nearly 1 million. Working with 17 sites across the country, the Jim Casey Initiative influences policy and practices to improve outcomes for teenagers and young adults who have experienced foster care as they transition to adulthood.