

CHAPTER 2

Activity: Individual

⌚ 20 MIN.

Materials: One activity handout per student and internet access to foundationsU.com

Objective: The purpose of this activity is to understand the impact that time and rate of return have on savings, assess the lump sum needed to reach a specific investment goal, and familiarize students with online resources.

STANDARD Saving and Investing Standard 2:

Explain how investing builds wealth and helps meet financial goals.

- Given rate of return, years and frequency, use a financial or online calculator to figure the end value of an invested periodic amount and the periodic amount needed to reach a specific investment goal.

STANDARD Planning and Money Management Standard 1:

Develop a plan for spending and saving.

- Identify changes in personal spending behavior that contribute to wealth building.

Saving: A Way to Build Wealth

How Will Your Money Add Up?

Procedure: Go to foundationsU.com and find the online investment calculator. Have students play around with the calculator before handing out the student activity sheet.

Students then need to complete the following:

- 1 Select a financial goal, such as how much money you want to have when you retire or when you reach a specific age. Then calculate what you need to save now in order to reach your goal. *Answers will vary.*
- 2 Next, use the calculator to determine how much money you would have if you invested “x” amount of money each month for 10, 20, 40 and 50 years. *Answers will vary.*
- 3 Explain how spending less and saving more contribute to wealth building. *Student answers should reflect that changes in personal spending behavior influence wealth building.*

Note: Students can modify the interest rate to see how that affects their return on investment. We recommend 12% for long-term investments.

Saving: A Way to Build Wealth

How Will Your Money Add Up?

Directions: Go to the foundationsU.com website and find the investing calculator under “tools.” Then use the investing calculator to complete these scenarios.

- ❶ Select a financial goal, such as how much money you want to have when you retire or when you reach a specific age. Then calculate what you need to save now in order to reach your goal.

Goal Amount _____

I need to invest _____ per month for _____ years at _____%.

- ❷ Now determine how much money you would have if you invested “x” amount of money each month for 10, 20, 40 and 50 years.

Saving _____ per month for 10 years will give me a lump sum of _____.

Saving _____ per month for 20 years will give me a lump sum of _____.

Saving _____ per month for 40 years will give me a lump sum of _____.

Saving _____ per month for 50 years will give me a lump sum of _____.

- ❸ Explain how spending less and saving more contribute to wealth building.

Note: You can modify the interest rate to see how that affects your return on investment. We recommend 12% for long-term investments.