# Managing Money
## A Consumer Action Financial Education Project

# Saving to Build Wealth

## Seminar Lesson Plan
## &
## PowerPoint Presentation Notes

*For more information about the Managing Money project, visit www.managing-money.org. Click on "Savings to Build Wealth" at the right side of the page, where you can find companion materials, including PowerPoint slides.*

# Saving to Build Wealth

## Seminar Lesson Plan

***(For use by the instructor)***

**Course Purpose**

To help participants embrace the goal of saving money in order to achieve personal financial goals and build wealth.

**Course Objectives**

Participants will learn that:
• Saving is a step-by-step process.
• Debt and overspending keep you from saving money.
• Setting financial goals can help you save money.
• The importance of emergency savings.
• Your savings can earn interest and increase in value.
• There are many ways to help your money grow.

**Materials**

***Participant's folder, which includes:***
• "Make Your Money Work for You" (brochure)
Note: The brochure is available in Chinese, English, Korean, Spanish and Vietnamese.
• Activities (attached at the end of this lesson plan)
  ***— What's Your Net Worth?***
  ***— Dream Up Some Goals***
  ***— Write a Savings Slogan***
• Evaluation of the Saving to Build Wealth Seminar

***For the trainer:***
• "Help Your Savings Grow" Leader's Guide
• "Make Your Money Work for You" slides (PowerPoint presentation with notes)
• Easel, pad and markers

**Seminar Duration:** There will be two sessions of two hours each. Each two-hour session will include a 15-minute break.

# Training Outline

## First Session
## (Two Hours)

| Suggested Time Allotment: | Topic: |
|---|---|
| 5 mins. | Welcome and Training Overview |
| 15 mins. | Group Introductions |
| 10 mins. | Saving to Build Wealth |
| 15 mins | Emergency Savings |
| 15 mins. | Break |
| 10 mins | Personal Financial Goals |
| 15 mins | Dream Some Goals (Activity) |
| 20 mins. | Savings Accounts |
| 10 mins. | Individual Development Accounts |
| 5 mins. | Wrap Up First Session |

## Second Session
## (Two Hours)

| Suggested Time Allotment: | Topic: |
|---|---|
| 5 mins. | Welcome Participants |
| 15 mins. | Risks and Rewards |
| 15 mins | Certificate of Deposits |
| 10 mins. | U.S. Treasury Issues |
| 15 mins. | Break |
| 15 mins. | Saving for Retirement |
| 10 mins. | Saving for Education |
| 15 mins. | Write A Savings Slogan (Activity) |
| 15 mins. | Questions and Answers |
| 5 mins. | Wrap Up and Evaluation |

## Training Design/Lesson Plan

# Session One (Two Hours)

Before conducting the training, familiarize yourself with this lesson plan, the “Make Your Money Work for You” brochure, the “Help Your Savings Grow” Leader’s Guide and the PowerPoint presentation.

### Welcome and Training Overview (5 mins.)

Welcome participants. Introduce yourself. Hand out folders.

***Review the topics you will cover:***
• How saving can help you build wealth.
• How to establish an emergency savings fund.
• How to determine and work toward personal financial goals.
• How savings accounts and other interest-bearing accounts can help your money grow.
• How to balance the risks and rewards of investing.
• Tax-favored accounts that can help you save for retirement and education.

Review the day’s agenda, emphasizing that the topics will be broken down into short, easily digestible sections of 10-20 minutes each and that there will be a 15-minute break about half-way through the session.

### Group Introductions (15 mins.)

Ask participants to introduce themselves and say what they hope to get out of the seminar.

Write down participants’ expectations on the easel pad. This activity will serve as a brief ice-breaker to help workshop participants get to know each other and feel more comfortable, and to give you an idea of what participants are expecting from the seminar. Save the page for the final wrap-up and evaluation at the end of the second session, so that you can revisit it and ask for feedback on how participants feel about the seminar.

**RESOURCE:** Direct attention to the savings brochure in participants’ folders. Give the class five minutes to review the brochure before you continue.

### Saving to Build Wealth (10 mins.)

Building wealth is like building a brick wall. You place one brick on top of another and make sure the wall is solid before you put on the next brick. Saving to build wealth is similar—you have to set realistic goals and work to accomplish each step before moving on to the next one.

It can be hard to save. Daily we are bombarded by ads and sales pitches to get us to spend our money. To start saving, you have to separate your needs from your desires.

Ask participants why they think a lot of people find it difficult to save money. Write down some of their responses on the easel pad.

**Questions to generate discussion:**

***• What is the difference between a NEED and a WANT?***

— Needs are things you use or require every day, such as a place to live, water, heat and electricity, a way to get to work and clothing. Wants are things you would love to have but can live without.

***• How do credit and debt keep people from saving?***

— Easy access to credit can tempt many people into charging items or buying things they can't really afford. Credit card balances can get out of control and require large amounts of your income in order to pay the monthly charges.

***• What is the difference between "good debt" and "bad debt"?***

— By borrowing strategically, you can achieve financial goals such as owning a car or a home. A car loan or a mortgage are examples of good debt. For example, when you have a mortgage you can deduct the interest you pay on your income taxes.

— We work hard and often view material things as a way to reward ourselves. But using credit to buy things you want but don't really need can be considered bad debt. Instead, save money to buy yourself those special treats or rewards.

**EXERCISE:** Hand out the "What is Your Net Worth?" Activity. Go over the form with participants so that they understand how to figure their own net worth.

## Emergency Savings (15 mins.)

Review Leader's Guide page 3.

**Key points:**

• You can't build wealth overnight.

• A good first goal is a savings account for emergencies.

**Questions to generate discussion:**

***• What is an emergency savings account?***

— An emergency savings account is money you set aside to cover expenses in case you lose your job or suffer an injury that keeps you out of work.

***• How much should you have in your emergency savings account?***

— Emergency funds should equal three-to-six months of take-home pay for the family's primary breadwinner.

**TIP:** The important thing is to get started. Any amount of emergency savings can be helpful. It will take time to build up three or more months' salary.

***• Can you think of a way to make saving more automatic?***

— Schedule automatic pay-day deposits that go to your savings account account.

***• Do you know what it means if money is "liquid"?***

— Money that is easily available is said to be liquid. Money in a savings account is liquid because you can withdraw it at any time. Money invested in stocks is not liquid, because you might lose money if you have to sell stocks to get cash.

— In a government-insured savings account, your money won't earn much interest, but it will be safe and easy to access.

**TIP:** On the Internet, Bankrate.com can help you compare interest rates at different institutions.

## Break (15 mins.)

Announce a 15-minute break.

## Personal Financial Goals (10 mins.)

Review the Leader's Guide section on page 4.

**Key Points:**
• Financial goals are personal benchmarks that you set for yourself throughout life.
• They often fall into short-term and long-term categories.
• Knowing your goals can help you save for them.

Discuss the difference between short-term and long-term goals and encourage participants to start thinking about their financial goals.

**Questions to generate discussion:**
• What is the difference between a short-term goal and a long-term goal?
• What are some ways that you can start working toward your goals?

## Dream Your Goals (Activity) (15 mins.)

Ask participants to take out the "Dream Your Goals" worksheet. (The worksheet is attached to the end of this lesson plan.)

Review the directions: Short-term goals are ones you would like to achieve in one or two years. Long-term goals may take more time to reach. Take five minutes to dream up some short- and long-term goals that you can share with other participants. Can you put an estimated price tag on these goals?

**Key Points**
• Ask participants to guess how much it might cost to hold a wedding, pay for a college education or buy a late model used car. Discuss realistic timelines for achieving such goals.
• After five minutes, ask for volunteers to share some of the goals they have "dreamed" of.

## Savings Accounts (20 Minutes)

Suggested introduction: Savings accounts are accounts at financial institutions designed to keep your money safe and help it grow. Savings accounts at banks and credit unions are insured by the federal government for up to $250,000. The financial institution pays you interest on the money you have in a savings account. You can make deposits into your account and withdraw money when you need it.

**Interest**
Explain that interest is the cost of using money. Your bank pays you when you leave your money on

deposit. If you borrow money, you pay interest to the lender. Interest is usually expressed as an annual percentage yield (APY)—the amount your money would earn if left on deposit for one year.

**There are two kinds of interest, simple and compound.** Compound interest is better, because it allows you to earn interest not only on your initial deposit, but also on the interest you earn. In contrast, simple interest is calculated using the original amount only.

**Credit unions** are nonprofit savings and lending organizations that provide services to members who have a common bond, such as working for the same company, living in the same community or belonging to the same church.
— Like banks, credit unions offer savings accounts (called share accounts) and other financial services. Credit unions pay "dividends" on accounts rather than interest. Credit union deposits often earn higher returns than those paid at banks.
— Deposits in federal and state chartered credit unions are insured for up to $250,000 through the National Credit Union Administration (NCUA).

**Opening a savings account**
- When you open a savings account, most banks require two pieces of ID, one with a picture on it. You will usually need a Social Security number to open an interest-bearing bank account.
- If you are in the United States temporarily, you may obtain a non-work Social Security number from the Social Security Administration, a U.S. government agency.
- The amount required for an initial deposit varies. Some banks require only $1 to open an account—others ask for $50, $100 or $500. You may use cash or a check to open an account.

**Questions to generate discussion:**
***• Do you think that every bank pays the same rate of interest?***
- No. It pays to compare rates at different banks and credit unions because some banks pay more interest than others.

**Resource:** Choose to Save (www.choosetosave.org) offers information on personal finance and wealth development, including credit management, college savings, home purchase and retirement planning.

## Individual Development Accounts - IDAs (10 mins.)

***The Corporation for Enterprise Development has an online directory of individual development account programs nationwide (www.cfed.org). Before your presentation, you may want to go online and indentify some local organizations that sponsor IDA programs so that you can share the information with participants.***

Individual development accounts (IDAs) are special sponsored savings accounts that help low-income families save money to:
- pay for post-secondary education
- obtain job training
- buy a home
- start their own business

**Individual Development Accounts (IDAs)** are administered by local community based agencies.

Contributions are augmented or matched by private and public institutions.

Most participants in IDAs also take part in mandatory money management classes to help them:
- repair their credit
- create a budget
- stick to their savings plan

## First Session Wrap-up (5 mins.)

**Thank the class for its attention and participation. Quickly review the topics that will be covered in the upcoming session:**

• The risks and rewards of investing money
• Certificate of deposits (CDs)
• U.S. Treasury investments, such as Savings Bonds
• Saving for retirement
• Saving for education

Let participants know that there will be a question-and-answer period at the next session. If they have questions about today's session, suggest that they make a note and keep it in their folder.

***Ask participants to read the savings brochure before the next session.***

# Session Two (Two Hours)

## Welcome Participants (5 mins.)

**Greet participants and welcome them back. (This time will allow the group to reconnect.)**

Quickly review the topics that will be covered in the upcoming session. *(See list just above.)*

## Risks and Rewards (15 mins.)

**Everyone would like to earn the highest possible return (profit) on their savings. But as the possibility of profit goes higher, so does the risk that you might lose your money.**

Savings accounts and bank CDs that are insured by the FDIC offer a smaller return than other types of investments because they are safer.

Stocks, bonds and mutual funds are <u>not</u> insured.

When you are considering an investment, it's important to ask about:
- Risk (There is no guarantee that you will make money on stocks or other uninsured investments)
- Liquidity (How easy it is to get your money when you need it?)
- Possible returns (profits) (Is there a guaranteed "return" on your investment?)

You probably won't find a single investment that gives you high return, low risk and ease of access.

**Mutual funds:** Mutual funds are portfolios of stocks, bonds and other securities in which the public can buy shares. Each investor in a fund shares in the fund's gains, losses and expenses.
- Many individuals invest in mutual funds to "diversify," or spread out the risk of investing in stocks.

Banks sell UNINSURED investments:
- The fact that you purchase an investment from your bank does not mean that your investment is government-insured.
- Mutual funds, annuities and other investments are NOT insured by the Federal Deposit Insurance Corporation (FDIC).
- Even if they are sold by your bank or an affiliate, these investments are NOT deposits or obligations of the bank.

**Questions to generate discussion:**
***• Why can it be risky for individuals to invest in stocks?***
- There is no guarantee that stock prices will go up or that you will make money on stocks.
***• How can you increase your chances of making money in the stock market?***
- Many advisors feel that stock market investments should be for the long term. This is why stocks and mutual funds are offered to investors in retirement savings plans and employee retirement benefits programs.
- By sticking with your investment for the long term, you may increase your chances of a solid return. **Remember:** Stocks are not insured and you can lose your money.

## Certificates of Deposit (15 mins.)

Review the Leader's Guide section on page 9-11.

**Certificate of deposits (CDs), or "time deposits," are a safe way to make your money grow:**
- CDs sold by banks and some brokerage companies are insured by the FDIC up to $250,000 per depositor.
- CD rates vary widely, but are usually higher than rates paid on savings accounts.
- You leave your money in the CD for a specified period and in return you earn favorable interest rates.
- In general, the longer you leave your money on deposit, the higher interest rate you'll earn.
- The times vary from one month to 5 years.
- Most CDs do not allow additional deposits during the current term. However, when the CD matures, you can purchase a new CD for any amount.

**Downside to investing in CDs:**
- CDs pay a little more interest than your typical savings account, but your money is off limits until the CD matures.
- If you cash out a CD before the maturity period ends, you'll pay a penalty.
- When you buy a CD you are locking in an interest rate for an extended period of time. If CD interest rates rise while your money is tied up, you will miss out on a more favorable rate of interest.

**"Callable" CDs**
- CDs are not the greatest short term investments. You can purchase CDs with terms as short as one month they don't pay that well.
- Money in CDs is not as "liquid" as funds in a savings account.
- Avoid "callable" CDs. They are a good deal for the bank and a bad deal for you. The bank is allowed to "call," or terminate, your CD when interest rates fall if the bank is paying you more than the going rate.

**Question to generate discussion:**
***• Can you think of a situation in which they would work well as an investment?***
- If you are saving for a purchase that you will make in a year or two, CDs can be a safe place to store your money until then.

## U.S. Treasury Investments (10 mins.)

Review the Leader's Guide section on page 11-12.

**Key Points:**
• U.S. Treasury Securities include Savings Bonds and Treasury Bills.
• When you buy treasury securities you are making a loan to the federal government.
• The government sells securities to the public to raise money to run the federal government and pay government debts.
• Treasury securities are safe and secure investments because the U.S. government guarantees that interest and principal payments will be paid on time.

**U.S. savings bonds:**
- Savings bonds can be purchased in denominations ranging from $50 to $10,000.

- The earnings on savings bonds are not taxable.
- You buy the bonds at a discount (a percentage of their value at maturity).
- Interest varies, but you are always guaranteed a minimum return.
- Savings bonds are payable only to the person to whom they are registered.
- They earn interest for up to 30 years, but after one year from their issue date you can cash them for their current value.

**RESOURCE:** For more information, visit the TreasuryDirect web site (www.treasurydirect.gov).

**Treasury bills (also called "T-bills"):**
- Treasury bills pay you back with interest in one year or less from their issue date.
- T-bills are sold for less than their face value. Your profit is the difference between the purchase price and the face value. (See example below.)

**EXAMPLE:** (Write this example on the blackboard or easel pad.) If you buy a $10,000 26-week T-bill for $9,750 and hold it for the full 26 weeks, your profit will be $250, *about* 2.5% gain.

**RESOURCE:** You can find current T-Bill yields and purchase treasury bills online at the TreasuryDirect web site (www.treasurydirect.gov).

## Break (15 mins.)

Announce a 15-minute break.

## Saving for Retirement (15 mins.)

Review the Leader's Guide section on page 12-14.

**Key Points:**
***• Individual retirement accounts (IRAs):***
- Individual retirement accounts are savings accounts designed to help people put away money for their retirement.
- Federal regulations require that an IRA be managed by a custodian or trustee.
- Custodians include banks, credit unions, savings and loan associations, insurance companies, mutual funds and investment brokers.
- IRAs give account holders a break on income taxes because you are allowed to fund the account with pre-tax income and take a deduction on contributions made during the current tax year.

***There are two kinds of IRAs: Traditional IRAs and Roth IRAs.***
**• Traditional IRAs**
- As of the 2009 tax year, current limits allow most people to set aside up to $5,000 per year and receive an annual tax deduction on their contribution. When married couples file jointly, each spouse can contribute up to $5,000 (2009). (Current limits can be found at www.irs.gov.)
- People over 50 can deposit $6,000 per year (2009).
- You will not owe income taxes on your contributions or investment earning until withdrawal, usually after you are 59 1/2.
- By age 70 1/2 you are required to begin taking distributions from your IRA.
- There are tax penalties for early withdrawal. All contribution limits are scheduled for further increases over the coming years.

**• Roth IRAs**
- Roth IRAs are not tax-deferred—you invest income you have already paid tax on.
- All the money you earn in your Roth IRA is tax-free if the account is at least five years old and you are over age 59 1/2 or disabled.
- You may make withdrawals at a younger age without being disabled if you are using the money for qualified first-time homebuyer expenses of up to $10,000.
- In 2009, you can contribute up to $5,000 a year to a Roth as long as you earn at least $5,000 and less than $105,000 ($166,000 for joint filers). If you earn below $5,000 or more than the maximum, your contribution will be limited. (See current limits at www.irs.gov.)
- Roth contributions can be made at any age, even after age 70 1/2.
- If you contribute to a traditional IRA and a Roth, your combined contributions can't exceed $5,000 (2009).
- The combined limit for people over 50 is $6,000 per year.

**Employee retirement plans**
- Employers usually match the funds that you contribute to your retirement plan at work.
- These plans include 401K, 403B and SEP IRA plans.
- These plans offer professional investment management advice that you might not be able to afford on your own and balance some of the risk of speculative investments such as stocks or mutual funds.
- After a specified number of months or years with the company you will be "fully vested" and will own the company's contribution to your retirement fund.
- At tax time, you will owe less money because the portion of your salary that you contributed to your employer's retirement plan is not taxable.

## Saving for Education (10 mins.)

Review the Leader's Guide section on page 14-15.

**Key points:**
***• There are a number of special accounts that help you to save for your children's college educations:***
- 529 plans are state-sponsored education savings plans designed to help families set aside funds for future college costs.
- A Coverdell education account is a special savings account that parents (or others) establish on behalf of children to cover tuition, room, board, books and other eligible educational expenses at elementary and high schools and colleges.
- "Uniform Transfer/Gift to Minors Act" accounts are custodial accounts in your child's name. All contributions are irrevocable gifts to your child. Parents and grandparents can contribute up to $13,000 (2009) per year each without paying federal gift tax.
- IRAs can be used for tuition or other allowable educational expenses at qualified post-secondary institutions on behalf of the account's owner, spouse, child or grandchild.

**RESOURCE:** For more information on college savings options, visit the FinAid website (www.finaid.org/savings)

## Write a Savings Slogan (activity) (15 mins.)

Ask participants to take out the "Savings Slogan" activity sheet from their folders. Stress that this is not a test, but a learning activity. This activity is designed to get participants to think "outside the box" about what it means to save. Condensing their ideas about saving into one quick convincing slogan for the public may also help participants internalize the lesson that saving is important.

**Definition of a "slogan:"** A phrase that is used repeatedly in advertising or in a promotion. Examples: "A mind is a terrible thing to waste"® (United Negro College Fund); "The Breakfast of Champions" (Wheaties cereal); "A diamond is forever" (De Beers Consolidated Mines).

***Go over the instructions:***
You are an advertising executive. Your boss calls you because a leading consumer advocacy organization called Building Wealth has received a grant to pay for a full-page national advertisement in the New York Times to promote the importance of saving. Your boss tells you that he has agreed to donate agency time to create a catchy, meaningful slogan. He asks you to write it.

The boss says the slogan must speak for itself and be:
- Short and sweet. (No more than 15 words.)
- Inspirational.
- Persuasive to people of all ages and all walks of life.

Allow participants 10 minutes for the activity. Ask participants to share their slogans with the class.

## Questions and Answers (15 mins.)

Open the floor to questions. The Leader's Guide is written in Q&A format to help you anticipate frequently asked questions.

## Wrap-Up and Evaluation (5 mins.)

Review participants' expectations from the beginning of the course. Discuss whether or not the seminar lived up to those expectations.

Congratulate participants on their attention and participation in the day's training. Ask them to fill out the "Seminar Evaluation Form" and leave it with you on their way out. The feedback from the evaluations can help you fine-tune future presentations.

## Evaluation of the "Savings" Seminar

***(For class distribution)***

Thanks for attending! Before you leave today, please help us improve future presentations by giving us your opinion of today's seminar. ***Check the response that reflects your feelings about each statement:***

I have a better understanding of ways to promote saving and help people's savings grow.

☐ *Strongly Agree* ☐ *Agree* ☐ *Disagree* ☐ *Strongly Disagree*

I have a better understanding of how setting financial goals can help people save money.

☐ *Strongly Agree* ☐ *Agree* ☐ *Disagree* ☐ *Strongly Disagree*

I have a better understanding of the importance of adequate emergency savings.

☐ *Strongly Agree* ☐ *Agree* ☐ *Disagree* ☐ *Strongly Disagree*

The instructor was well informed.

☐ *Strongly Agree* ☐ *Agree* ☐ *Disagree* ☐ *Strongly Disagree*

The materials I was given are easy to read and understand.

☐ *Strongly Agree* ☐ *Agree* ☐ *Disagree* ☐ *Strongly Disagree*

I would like to attend another class like this.

☐ *Strongly Agree* ☐ *Agree* ☐ *Disagree* ☐ *Strongly Disagree*

***On a scale of 1 to 10 (10 being the highest), how would you rate the seminar?*** ______

What else would you like to tell us about how we could improve future seminars?

______________________________________________________________

______________________________________________________________

______________________________________________________________

***Return this form to the instructor. Thank you for giving us your thoughts!***

**Managing Money Activity**

# Dream Your Goals

Financial goals are personal milestones that you set for yourself throughout life. They often fall into short-term and long-term categories. Short-term goals are ones you would like to achieve in one or two years. Long-term goals may take more time to reach. Take five minutes to dream up some short- and long-term goals that you can share with other participants. Can you put an estimated price tag on these goals?

| Short-term goals - One or two years: | Price Tag |
|---|---|
| | |
| | |
| | |
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| | |

| Long-term goals - Three or more years: | Price Tag |
|---|---|
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# What is your net worth?

Your net worth is the total of your assets—property and possessions that you own—minus the total of your liabilities, or money that you owe.

Here is a simple example: John and Mary live in a house that is currently worth $200,000. They have a car with a current market value of $15,000; a savings account with $20,000 in it and retirement accounts worth $80,000. Added up, their assets are worth $315,000. They have a mortgage on their house of $100,000 and the balance on their car loan is $5,000, making their liabilities $105,000. If you subtract $105,000 (liabilities) from $315,000 (assets), you find that John and Mary's net worth is $210,000.

Use this form to estimate your own net worth.

## Assets

**Cash** ____________________

**Savings account** ____________________

**Stocks, bonds, other investments** ____________________

**401 (k) or IRA retirement plan** ____________________

**Market value of home** ____________________

**Market value of car** ____________________

**Other assets** ____________________

**Total assets** ____________________

## Liabilities

**Home mortgage** ____________________

**Car loan balance** ____________________

**Credit card balances** ____________________

**Student loan** ____________________

**Child support** ____________________

**Miscellaneous liabilities** ____________________

**Total liabilities** ____________________

**Net worth** ____________________

**Total Assets** ____________________

**Subtract Total Liabilities** ____________________

## Your Net Worth

____________________

# Write a savings slogan

You are an advertising executive. Your boss calls you because a leading consumer advocacy organization called Building Wealth has received a grant to pay for a full-page national advertisement in the New York Times to promote the importance of saving. Your boss tells you that he has agreed to donate agency time to create a catchy, meaningful slogan. He asks you to write it.

The boss says the slogan must speak for itself and be:

- Short and sweet. (No more than 15 words.)
- Inspirational.
- Persuasive to people of all ages and all walks of life.

**Building Wealth**
**www.buildingwealth.org**
**1-800-SAVENOW**