

SAVINGS ACCOUNTS

Objectives

- Define *balance, bank, compound interest, financial markets, interest, interest rate, principal, save, and savings account.*
- Evaluate savings options.



Activate Prior Knowledge

Conduct a survey to discover how many students have a savings account, piggy bank, and/or wallet.

Explain Key Terms

balance (n) amount of money remaining

bank (n) a business where money can be deposited, withdrawn, saved, or loaned; (v) to transact business with a bank or to have a bank account

compound interest (n) accumulated interest added back to the principal, this increases the principal; the amount of interest earned becomes greater with each increase of the principal amount

financial markets (n) a system for the exchange of cash, goods, property, and credit; for example, the stock market is one type of financial market

interest (n) money the bank pays you to store your savings there or charges you on a loan or credit card balance

interest rate (n) a percentage charged or earned on an amount of money loaned or deposited

principal (n) 1. the original amount invested or deposited, separate from interest earned; 2. the amount borrowed or the amount still owed on a loan, separate from interest paid

save (v) to avoid the spending, consumption or waste of money

savings account (n) an interest-earning account offered by banks to store your money in it

Teach/Model

Say: You can save money in a safe or a piggy bank, with your parents, or in a savings account. To **save** means to avoid spending. If you go to a bank, you can open a savings account. A **bank** is a business where money can be deposited, withdrawn, saved, or borrowed. Banks pay you **interest** (that's money) for storing your savings with them. They can pay interest because they make money by loaning your money to other people or investing it in financial markets. What's important for you is that the higher your account balance, the higher your interest earnings will be. So, the best way to earn the most money is to continue to add money into the account without taking any out. Savings accounts are a great tool to help you save for long-term goals because the money is not as easy to get.

Your parents may be a good option for saving your money, particularly if you are saving for short-term goals. It may be easier for you to ask for money from them instead of going to the bank to get money when you need it. Your piggy bank may be another good method for saving money for your goals. Think through all your options because it is your choice where your money goes!



SAVINGS ACCOUNTS



Practice and Apply

Is your parent the right bank? (p. 5.3)

Read the directions to students. Explain to them that parents or another trusted adult can help you plan for the future, but that you will eventually have to manage your money on your own.

Now or later? (p. 5.4)

Read the directions to students. Share some of your short-term and long-term goals as a teacher or consumer. Share your experiences reaching a goal.

Have you seen my \$5? (p. 5.5)

Read the directions to students. As you review their answers, ask them why they selected their answers.

Including All Learners

- Encourage students to list pros and cons listed in the passage (p. 5.3), as well as the pros and cons of having a parent saving their money.
- Challenge grade 5 students and students with advanced math skills by explaining to them the concept of **compound interest**. Have them practice calculations with the following exercise. Ask students to calculate compound interest by providing a beginning savings account balance. Remember that if the bank's current **annual interest rate** for savings accounts is 3% per year, you calculate monthly interest by dividing 3% by 12. Then you multiply the starting savings account balance by that number. For instance: If the annual rate is 3% and the starting savings balance is \$1000, multiply it by .25% (this is 3% divided by 12), and this equals the interest earned for the month, \$2.50. Explain to students that this is the most common way for banks to pay interest on savings accounts.

Hands-On Connections

- For **Is your parent the right bank?** ask students to separate into two groups. One will work together to do a skit of the "Father Knows Best" reading. The other group (working on the other side of the classroom until the skit is ready to be performed) will read aloud the selection and have group discussion to make lists of Pros and Cons. Watch the skit performance, and then answer the character traits question in this lesson together as a class.
- Ask students to separate into four groups for the **Now or later?** lesson. Assign each group a scenario (1, 2, 3, or 4). Provide a whiteboard, chalkboard or paper for each group. Each group should read their scenario and discuss it to decide which goals are short-term and which are long-term goals. Students can take turns writing goals on the board. Have a representative of each group read aloud their scenario and share their lists of goals with the class. Scenarios 1, 2 and 3 have only three goals each, so ask the student who did not write on the board to represent his or her group.

Follow Up

Savings Showdown (Grades 3-5): Explain to students that sometimes they may need their money at home instead of at the bank. Give students a variety of scenarios ("Your bank is half an hour away and you need to buy a stamp and mail a letter today. Is it better if your money is..."), and ask them which location would be the best place from which to get their money.



Name: _____ Date: _____

Unit 5

SAVINGS ACCOUNTS *Is your parent the right bank?*



Read the passage carefully.

Father Knows Best

For the past six years my father kept track of my money. He always knew how much money I had and gave me back my money when I asked for it. I never had to worry about losing my money. I think that my father never told me about banking because when I was young I did not know how to add and subtract. I think that he also worried that I would spend everything that I had! My father helped me save money for a long time.

Last year I told my father that I was ready to take care of my own money. I know how to add, subtract, and budget my money; so, I didn't think there was any reason why I shouldn't track my own money. My father was proud that I was ready to take responsibility for my money. He showed me how he tracked my money, and then gave me my savings. I'm thankful that my father kept track of my money. But, now I feel independent because I no longer have to ask my father for money. I also know exactly how much money I have at all times. I think that everyone should learn how to manage his or her own money.

A. Use the chart to list the pros and cons of having a family member save your money.

| Pros | Cons |
|------|------|
| | |

B. What character traits would you want someone who handles your money to have?



Name: _____ Date: _____

Unit 5

SAVINGS ACCOUNTS

Now or later?



Read each scenario below carefully. Then write which goals are long-term savings goals and which are short-term savings goals for each.

1. I love horses! I want to buy books about horse breeds. I really want to go to a horse riding camp next summer. I also want to go to college and become a veterinarian.

Short-term: _____

Long-term: _____

2. I would love to go to the local ski resort and take snowboarding lessons, but it costs \$100 for 4 lessons! My mom said that I could take the lessons if I save up enough money. I will also need money to rent a snowboard. I also want to rent the snowboarding movie "Stunning Snowboarding Stunts."

Short-term: _____

Long-term: _____

3. I loved my family vacation to the beach in Georgia last summer. I would like to buy a beach house there some day. While I was there I lost a pair of sunglasses; so, I am saving to buy another pair. I also want a new swimsuit.

Short-term: _____

Long-term: _____

4. Marcus fell in love with the water when he visited the ocean. He wants to be a marine biologist. He plans on saving \$10,000 to help pay for college. As a marine biologist he'll need to be a very good swimmer; so, Marcus wants to start swim lessons soon. He'll need a swimsuit for his lessons.

Short-term: _____

Long-term: _____



Name: _____ Date: _____

Unit 5

SAVINGS ACCOUNTS

Have you seen my \$5?



A. Decide which places listed below are the safer ones to keep your money, and in which place you are more likely to lose your money.

- | | | |
|------------------------------|-------------------------------|-------------------------------|
| 1. under your pillow | safe <input type="checkbox"/> | lost <input type="checkbox"/> |
| 2. inside your favorite book | safe <input type="checkbox"/> | lost <input type="checkbox"/> |
| 3. in your wallet | safe <input type="checkbox"/> | lost <input type="checkbox"/> |
| 4. in a locked safe | safe <input type="checkbox"/> | lost <input type="checkbox"/> |
| 5. in a piggy bank | safe <input type="checkbox"/> | lost <input type="checkbox"/> |
| 6. in a shirt pocket | safe <input type="checkbox"/> | lost <input type="checkbox"/> |

B. Circle the best choice for each question.

- If you keep money in many different places, it can _____.
 - be lost
 - be stolen
 - be hard to track
 - all of the above
- You could end up with more money than you began with if you _____.
 - place it in a piggy bank
 - place it in a safe
 - place it in a savings account
 - give it to your parents or a relative
- Where do you think is the best place to track and save money?
 - in a piggy bank
 - in a locked safe
 - with your parents
 - in a savings account