

# Parents' Lesson 3: Planning Your Savings

## Objectives

- In Lesson 3, parents will learn:
  - Basic facts about saving money
  - Strategies for saving money
  - Ways to encourage their children to save

## Lesson Outline

- This lesson will take a total of 60 minutes. Below is an outline of the major topics that are covered and a suggested amount of time to spend on each. To help you get through all of the material in the time allotted, write the estimated start time for each section in the left column and in the leader's notes.

Start Time	Section	Time Allotted
<b>Transition and Introduction</b>		<b>5 minutes</b>
	Introduction	
	Session #2 Challenge	
	Objectives	
<b>Why Do We Save?</b>		<b>10 minutes</b>
	Why We Save	
	Why It Is Important to Save	
	Millionaire Habits	
	Basic Savings Strategies	
<b>Financial Goals</b>		<b>10 minutes</b>
	Why Set Goals	

Start Time	Section	Time Allotted
<b>Financial Goals</b>		
	Time Frame	
	SMART	
<b>Vocabulary of Saving</b>		<b>5 minutes</b>
	Saving vs. Investing	
	Interest	
	Compounding	
	Time Value of Money	
<b>Where to Save</b>		<b>10 minutes</b>
	Places to Save	
	Savings Vehicles	
	What Would You Do?	
<b>Parents' Challenge</b>		<b>10 minutes</b>
	Conversation Starters	
	Everyday Ways	
	Create or Review Your Savings Plan	

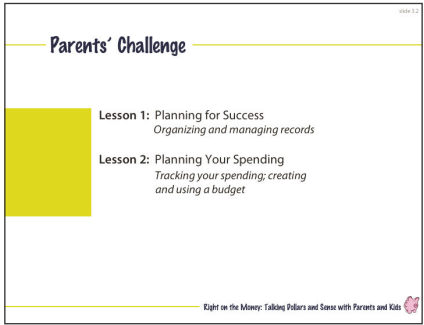
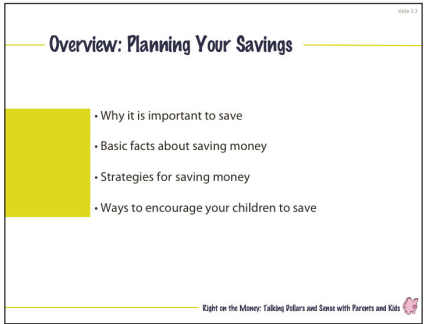
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Start Time	Section	Time Allotted
Wrap Up		Time Remaining
	Session Evaluation	
	Preview Next Session	
	Closing and Dismissal to Pick Up Children	

## Presentation and Leader's Notes

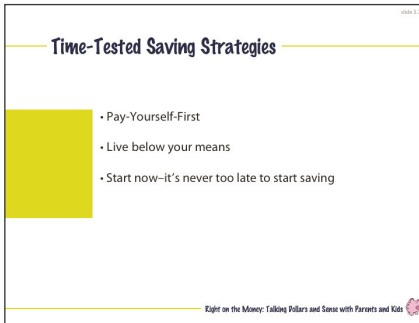
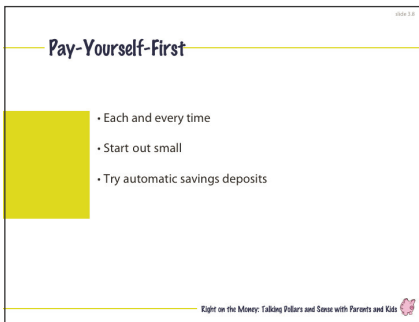
- The following is a step-by-step guide to Lesson 3, complete with snapshots of the various slides/visuals and handouts to be used. Familiarize yourself with the notes and the content in advance, but do not feel that you have to read the scripts verbatim. They are intended to guide instruction but not replace your good judgment as a presenter/teacher.
- Keep in mind throughout the program that individuals and groups have different experiences and values when it comes to money. Some people may want to share a lot of personal information while others may not want to divulge anything. Respect these points of view and monitor the group to be sure that you are meeting their needs. Also, be careful not to impose your own values upon the participants.
- Note: Presentation slides are provided on the enclosed disk and are available online at [www.moneysbestfriend.com](http://www.moneysbestfriend.com). The notes below reference the slide numbers and point out when to “click” to the next slide. If a laptop and projector are not available, overheads of the slides work just as well. You may also want to note the actual time in the margin (e.g., 7:15) where you hope to be at certain points during the lesson. This will help you to monitor your progress and adjust as necessary.

Transition and Introduction	Time: 5 minutes
<p>Parents <b>gather</b> for the parents' lesson.</p> <p><b>Show</b> Slide 3.1 and <b>distribute</b> handouts and copies of the presentation (optional).</p> <p><b>Click</b> to Slide 3.2</p>	<div data-bbox="1053 1270 1409 1537"> <p>The home slide features a yellow background. On the left, there is a line drawing of a child with pigtails sitting at a table. To the right of the drawing, the text reads 'Right on the Money' in a bold, sans-serif font. Further right, a white circle contains the text 'Planning Your Savings'. At the bottom right, in a smaller font, it says 'Talking Dollars and Sense with Parents and Kids'.</p> </div> <p style="text-align: right;"><i>home slide</i></p> <div data-bbox="1053 1604 1409 1871"> <p>slide 3.1</p> <p><b>Sponsored By</b></p> <ul style="list-style-type: none"> <li>• Penn State Cooperative Extension</li> <li>• The Pennsylvania Office of Financial Education</li> </ul> <p><b>Financial Support Provided By</b></p> <ul style="list-style-type: none"> <li>• The Heinz Endowments</li> </ul> </div>

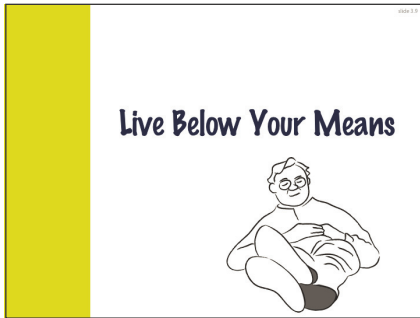
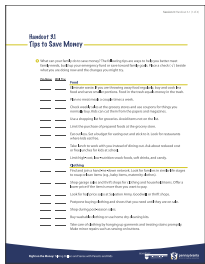

Transition and Introduction	
<p><b>Showing Slide 3.2, ask</b></p> <p>What's new in your progress related to any of the lessons we have covered so far?</p> <p>Do you have any small or large successes you wish to share?</p> <p style="text-align: center;"><i>(Allow answers from two or three people.)</i></p> <p><b>Compliment</b> parents on their efforts.</p> <p><b>Click</b> to Slide 3.3</p>	 <p>slide 3.2</p>
<p><b>Showing Slide 3.3, explain</b></p> <p>In this session of <i>Right on the Money</i>, the topic is something everyone in this room probably knows something about—saving money. In fact, let's have a show of hands if you have ever saved money for some reason.</p> <p>Great! Today we will talk further about:</p> <ul style="list-style-type: none"> <li>• Why it is important to save</li> <li>• Basic facts about saving money</li> <li>• Strategies for saving money</li> <li>• Ways to encourage your children to save</li> </ul> <p>When we save, it means we put aside something to use at a later date. In the case of money, we are saving it to spend later.</p> <p><b>Ask</b> Why do you save?</p> <p style="text-align: center;"><i>(Allow answers from two or three people.)</i></p> <p><b>Click</b> to Slide 3.4</p>	 <p>slide 3.3</p>



Why Do We Save?	Time: 10 minutes
<p><b>Showing</b> Slide 3.4, <b>state</b> any additional reasons that were not mentioned.</p> <p><b>Ask</b> Why is it important to save?  <i>(Allow answers from two or three people.)</i></p> <p><b>Click</b> to Slide 3.5</p>	<p>Slide 3.4 content: Why Do We Save?</p> <ul style="list-style-type: none"> <li>• To have a cash reserve</li> <li>• To fund our children's college education</li> <li>• To fund our retirement</li> <li>• To buy expensive items</li> </ul> <p>slide 3.4</p>
<p><b>Showing</b> Slide 3.5, <b>state</b> any additional reasons that were not mentioned.</p> <p><b>Click</b> to Slide 3.6</p>	<p>Slide 3.5 content: Why Is Saving Important?</p> <ul style="list-style-type: none"> <li>• To have peace of mind in case of an emergency</li> <li>• To be financially independent and secure</li> <li>• To be a role model for our children</li> </ul> <p>slide 3.5</p>
<p><b>Showing</b> Slide 3.6, <b>ask</b> the parents the following true or false questions and <b>discuss</b> the answers.</p> <p>The majority of millionaires . . .</p> <p><b>a.</b> drive the latest model of a foreign car. <i>False.</i> Most millionaires drive American-made cars that are not the most current model.</p> <p><b>b.</b> purchase ready-made suits most likely on sale. <i>True.</i></p> <p><b>c.</b> own small businesses. <i>True.</i> About 2/3rds of millionaires are self-employed.</p>	<p>Slide 3.6 content: Millionaire Habits: True or False?</p> <p>The majority of millionaires:</p> <ol style="list-style-type: none"> <li>Drive the latest model car</li> <li>Purchase ready-made suits most likely on sale</li> <li>Own small businesses</li> <li>Have spouses who are careless spenders</li> </ol> <p>slide 3.6</p>

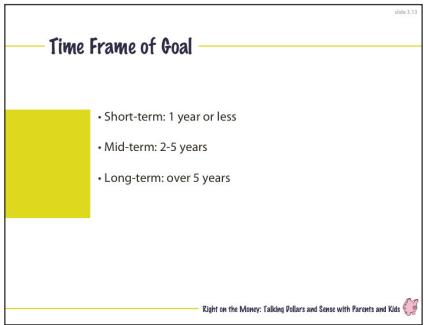

Why Do We Save?	
<p><b>d.</b> have wives who are careless spenders.  <i>False.</i> Most of the women in millionaire households are planners and meticulous (careful) budgeters.</p> <p><b>Explain</b>            The average millionaire looks like an ordinary everyday person. They are careful spenders and make wise choices to keep money in their pocket.</p> <p>According to <i>The Millionaire Next Door</i> (by Thomas Stanley and William Danko, 1996), the typical millionaires have the following in common:</p> <ul style="list-style-type: none"> <li>• They live well below their means. In other words, they spend a lot less than they earn.</li> <li>• They use their time, energy and money efficiently in ways that build wealth.</li> <li>• They believe that financial independence is more important than displaying high social status.</li> <li>• Their parents simply did not give them handouts. They earned what they have.</li> <li>• Their adult children are economically self-sufficient. They don't serve as the family bank for their children.</li> <li>• They chose the right occupation.</li> </ul> <p><b>Click</b> to Slide 3.7</p>	

Why Do We Save?	
<p><b>Showing Slide 3.7, explain</b></p> <p>I'm sure some of you are saying to yourself, "Who wouldn't want to be a millionaire but there's just no money left at the end of the month to save!" There are a lot of people that feel that way.</p> <p>Let's take a look at some proven strategies that may help.</p> <p><b>Click</b> to Slide 3.8</p>	 <p>slide 3.7</p>
<p><b>Showing Slide 3.8, explain</b></p> <p><u>Pay-Yourself-First</u> Each time you receive a paycheck, set aside some of that money. This works best if the amount set aside is the same each month.</p> <p>If you have never practiced pay-yourself-first, start by setting aside an amount that you won't miss (\$10, \$25, \$50, \$100, etc., per month). Gradually increase the amount once you are comfortable with the process.</p> <p>It also helps if you can have the money taken out automatically from your paycheck and sent to a separate savings account or to have automatic monthly transfers from your checking account into your savings account.</p> <p><b>Click</b> to Slide 3.9</p>	 <p>slide 3.8</p>



Why Do We Save?	
<p><b>Showing Slide 3.9, explain</b></p> <p><u>Live Below Your Means</u> Simply spend less than you make. Easier said than done!!</p> <p><b>Ask</b> parents to share ways they save money for their family.</p> <p><i>(Allow responses from as many parents as possible.)</i></p> <p><b>Refer to Handout 3.1: Tips to Save Money.</b></p> <p>Mention one or two ideas that were not shared and encourage parents to review the suggestions and complete the Do Now/Will Do columns at home.</p> <p><b>Click</b> to Slide 3.10</p>	 <p>slide 3.9</p>  <p>handout 3.1</p>
<p><b>Showing Slide 3.10, explain</b></p> <p><u>Start Now</u> Saving is a habit that can be learned. Like most habits, if we learn them early in life, it becomes second nature, doing it without too much thought.</p> <p>Of course, very few people start saving with the first paycheck they earn. So forget about the years that have passed and start now.</p> <p><b>Remind</b> parents that children who practice saving regularly are more likely to be savers as adults.</p> <p><b>Click</b> to Slide 3.11</p>	 <p>slide 3.10</p>

Financial Goals	Time: 10 minutes
<p><b>Showing</b> Slide 3.11, <b>explain</b></p> <p>As we briefly touched on before, there are many reasons and benefits of saving. We talked about some proven strategies to help us become better savers. Now, we need to figure out what that actually means for your family. The answer lies in your financial goals.</p> <p>You may have heard the cliché, “If you aim at nothing, you’ll hit it every time!”</p> <p>When it comes to saving and improving the quality of life for your family, aiming at nothing is <b>not</b> what you want to do.</p> <p><b>Click</b> to Slide 3.12</p>	 <p style="text-align: right;"><i>slide 3.11</i></p>
<p><b>Showing</b> Slide 3.12, <b>explain</b></p> <p>Recall that we were introduced to the topic of financial goals in Lesson 2. Let’s review what we know and explore this in more detail.</p> <p><b>Read</b> slide and <b>continue</b></p> <p>We agreed that we <i>need to know</i> these three things in order to reach our goals. But this information alone doesn’t tell us what we <i>need to do</i> in order to reach our goals.</p> <p><b>Click</b> to Slide 3.13</p>	 <p style="text-align: right;"><i>slide 3.12</i></p>

Financial Goals	
<p><b>Showing Slide 3.13, explain</b></p> <p>After you have decided on a goal, you need to determine how long it will take to reach it.</p> <p><i>Short-term goals are those that can be achieved in one year or less.</i></p> <p>Example: I will save \$20 from the next 9 paychecks so I will have money (\$180) to pay for Mary's day camp in June.</p> <p><i>Mid-term goals are those that can be achieved within 2 to 5 years.</i></p> <p>Example: I will save \$200 per month for the next 5 years, so I will have \$12,000 for a down payment.</p> <p><i>Long-term goals are those that will take greater than 5 years to achieve.</i></p> <p>Example: I will set aside a minimum of 10% from all earned income so I can retire in 25 years.</p> <p><b>Click</b> to Slide 3.14</p>	 <p style="text-align: right;"><i>slide 3.13</i></p>
<p><b>Showing Slide 3.14, explain</b></p> <p>Financial goals should be SMART.</p> <p><b>S</b>pecific – What do you want exactly?  <b>M</b>easurable – How much will it cost?  <b>A</b>chievable – Can it be achieved? Has it been agreed upon by the family?  <b>R</b>ealistic – Is this goal realistic given the available resources, knowledge and time?  <b>T</b>ime – What is the target date to reach the goal?</p> <p><b>Click</b> to Slide 3.15</p>	 <p style="text-align: right;"><i>slide 3.14</i></p>

## Financial Goals

### Showing Slide 3.15, explain

Here is the difference between a *SMART* goal and one that is not.

### Read slide

#### Not a SMART goal:

- I want a car.

#### SMART goal:

- In three years (Time) I would like to buy a used (Attainable/Realistic) Toyota or Honda van (Specific) that costs \$18,000 or less (Measurable).

And that brings us to what we *need to do* in order to reach our goals.

### Refer to Handout 3.2: Financial Goal - Setting Example, and explain

This worksheet shows the specific actions we need to take in order to reach a financial goal. You can also look at this as an "action plan."

Family Goals - Describe your financial goals.

Amount Needed - Determine the approximate cost of each financial goal.

Date Needed - List the month and year that a goal needs to be achieved.

Start Date - Indicate the month and year that saving will begin.

Months to Goal - Calculate the number of months needed to reach goal.

"Date Needed – Start Date"

**SMART Goals**

- Not a SMART goal
  - I want a car.
- SMART goal
  - In three years I would like to buy a used Toyota or Honda van that costs \$18,000 or less.

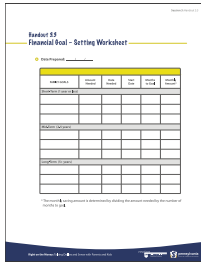
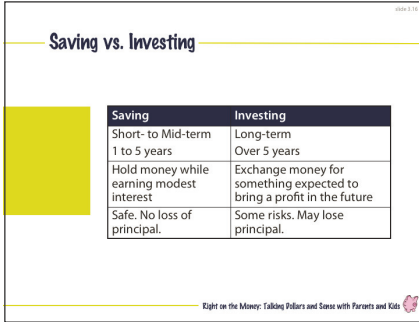
Right on the Money: Talking Dollars and Sense with Parents and Kids

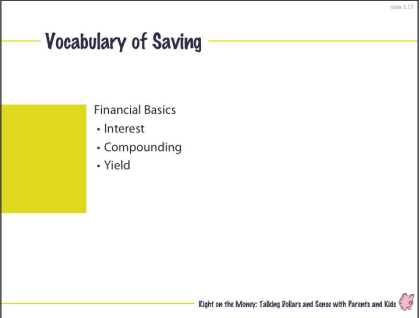
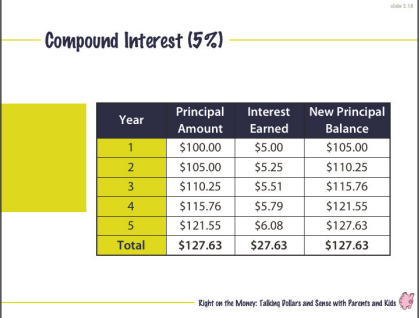
slide 3.15

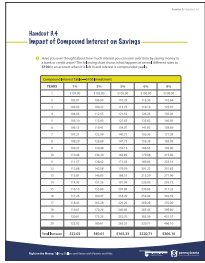
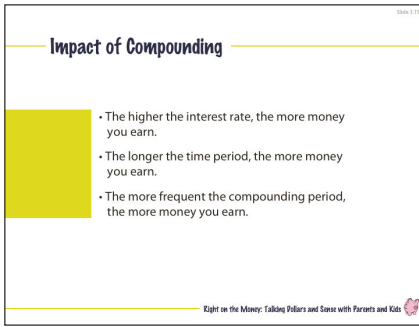
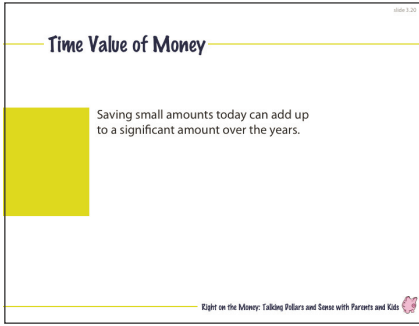
**Handout 3.2: Financial Goal - Setting Example**

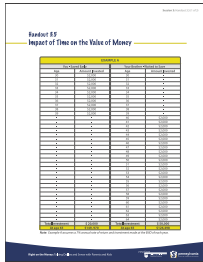
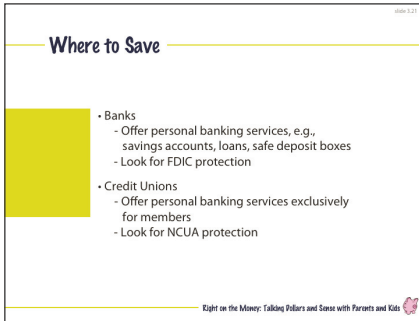
Goal	Amount Needed	Date Needed	Start Date	Months to Goal

handout 3.2

<p><b>Financial Goals</b></p>	
<p>Monthly Amount – Divide the “Amount Needed” by the number of “Months to Goal.”</p> <p><b>Refer to Handout 3.3: Financial Goal Worksheet</b> which the parents can complete for their own goals at home.</p> <p><b>Click</b> to Slide 3.16</p>	 <p>handout 3.3</p>
<p><b>Vocabulary of Saving</b></p>	<p><b>Time: 10 minutes</b></p>
<p><b>Showing Slide 3.16, explain</b></p> <p>Now that we know <i>why</i> and <i>how</i> to save, we need to know <i>where</i> to save.</p> <p>But before we talk about specific savings vehicles or places to save, let’s review some important financial basics with which you may or may not be familiar.</p> <p><u>Saving vs. Investing</u></p> <p>Although sometimes people use the terms saving and investing interchangeably, the terms are not the same.</p> <p><i>Saving</i> is really for short to mid-term goals. Generally, the money is held in a safe or relatively safe account which will pay you a modest amount of interest. You know it will be there when you need it.</p> <p><i>Investing</i> is long term and has the potential for greater profits. However, investments offer no guarantee of interest income or that they’ll increase in value and they carry the possibility of losing money. Investing requires a greater knowledge base which we will not be covering in this series.</p> <p><b>Click</b> to Slide 3.17</p>	 <p>slide 3.16</p>

Vocabulary of Saving	
<p><b>Showing Slide 3.17, explain</b></p> <p><b>Interest</b> is money added to your savings account (with a bank or credit union) as an incentive or benefit for keeping money in that account. Think of it as the rental fee you are paid for leaving your money with them. The <b>interest rate</b> is the stated interest expressed as a percentage (part of 100).</p> <p><b>Compounding</b> means that not only the amount of money you originally saved (i.e., principal) earns interest but the interest earns interest! Compounding is expressed by the frequency the interest is earned and added to the account, i.e., quarterly, semi-annually.</p> <p><b>Yield or annual percentage yield</b> is the total amount of interest you earn on your principal, for one year, again expressed as a percentage. The more frequent the compounding, the greater the annual percentage yield.</p> <p><b>Click</b> to Slide 3.18</p>	 <p style="text-align: right;"><i>slide 3.17</i></p>
<p><b>Showing Slide 3.18, explain</b></p> <p>Albert Einstein referred to compounding as the most powerful force in the universe.</p> <p>Let's look at an example of compounding interest.</p>	 <p style="text-align: right;"><i>slide 3.18</i></p>

Vocabulary of Saving	
<p><b>Review</b> slide and then <b>refer</b> to <b>Handout 3.4: The Impact of Compound Interest on Savings.</b></p> <p><b>Ask</b> parents what observations can be made about compounding based on the chart.</p> <p style="text-align: center;"><i>(Allow parents to share their observations.)</i></p> <p><b>Click</b> to Slide 3.19</p>	 <p style="text-align: center;"><i>handout 3.4</i></p>
<p><b>Showing</b> Slide 3.19, <b>discuss</b> the points that were not mentioned.</p> <ul style="list-style-type: none"> <li>• The higher the interest rate, the more interest you earn.</li> <li>• The longer the time period, the more interest you earn.</li> <li>• The more frequent the compounding period, the more interest you will earn.</li> </ul> <p><b>Click</b> to Slide 3.20</p>	 <p style="text-align: right;"><i>slide 3.19</i></p>
<p><b>Showing</b> Slide 3.20, <b>ask</b> parents if they have heard the phrase: <i>Time is money.</i></p> <p>The following examples will prove this statement:</p> <p><b>Refer</b> to <b>Handout 3.5: Impact of Time on the Value of Money.</b></p> <p><b>Point</b> out the respective savings schedule for each saver and the resulting balances at age 65 in Examples A and B.</p> <p><b>Share</b> the following key points:</p> <ul style="list-style-type: none"> <li>• Saving small amounts today can add up to a significant amount over the years.</li> </ul>	 <p style="text-align: right;"><i>slide 3.20</i></p>

Vocabulary of Saving	
<ul style="list-style-type: none"> <li>• Let time and your money work for you.</li> <li>• Waiting costs more than saving itself.</li> <li>• Start now!</li> <li>• Encourage your children to save early and save often.</li> </ul> <p><b>Remind</b> parents that the 7% rate of return is not common for basic saving products but may be achieved by a well diversified portfolio of investments. Stress again that this lesson is to address only the basics of saving but that the key points still apply.</p> <p><b>Distribute</b> the <i>Wise Investor Retirement Calculator</i>® for the parents to use at home. (To order calculators, please call the Pennsylvania Office of Financial Education at 717-783-2498. Calculators are available free of charge while supplies last.)</p> <p><b>Click</b> to Slide 3.21</p>	 <p>handout 3.5</p>
Where to Save	Time: 15 minutes
<p><b>Showing</b> Slide 3.21, <b>explain</b></p> <p>Now let's talk about where we can put our savings. Keep in mind that we are looking at products that are designed for safety, meaning no loss of the original deposits.</p> <p><b>Read</b> and explain slide.</p> <p><b>Click</b> to Slide 3.22</p>	 <p>slide 3.21</p>



## Where to Save

### Showing Slide 3.22, Refer to Handout 3.6: Characteristics of Savings Products and explain

#### Savings Account

A basic account that pays a very modest rate of interest. There are two types:

- statement account – mailed monthly or quarterly showing deposits, withdrawals and interest earned
- passbook account – a small booklet where deposits and withdrawals are recorded at the bank with each transaction

#### Money Market Deposit Account

An account at a bank that pays more interest than a savings account.

- Offers check-writing privileges
- Usually has minimum balance requirements

**Note:** Do not confuse Money Market Deposit Account with a Money Market Mutual Fund. A Deposit Account is with a bank and a Mutual Fund is with a Mutual Fund Family or Group (e.g., Vanguard, Fidelity).

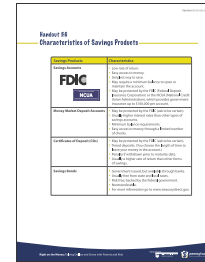
#### Certificate of Deposit

A single deposit that earns a fixed interest for a specific period of time.

- Offers typical maturity dates of 3-12 months or for a number of years.
- Charges penalties for cashing in before maturity date.

#### U.S. Savings Bonds

Actually a loan to the U.S. Government.



handout 3.6



slide 3.22

Where to Save	
<ul style="list-style-type: none"> <li>• Offers tax deferral of interest income or in some cases, it is exempt from taxes.</li> <li>• Long term maturity dates.</li> </ul> <p>To learn more about bonds, talk to your banker or explore the U.S. Treasury's website (<a href="http://www.treasurydirect.gov">www.treasurydirect.gov</a>).</p> <p><b>Click</b> to Slide 3.23</p>	
<p><b>Showing</b> Slide 3.23, <b>read</b> these situations and <b>ask</b> parents to identify which savings product would be best.</p> <p style="text-align: center;"><i>Joey – Money Market Deposit Account</i></p> <p style="text-align: center;"><i>Mary – Certificate of Deposit</i></p> <p><b>Click</b> to Slide 3.24</p>	<p>Joey is closing his lawn business for the season. He would like to put some of his earnings in a place that earns higher interest, yet still be insured, just until the new season begins.</p> <p>Mary has a large sum of money in her savings account. She would like to earn higher interest than the account is currently paying and would like for her money to be safe. She intends to buy a new car with the money in three years.</p> <p style="text-align: right;"><i>slide 3.23</i></p>
<p><b>Showing</b> Slide 3.24, <b>explain</b></p> <p>Remember that your children are always watching what you do. Think about ways to encourage them to save.</p> <p><b>Ask</b> parents if anyone has a technique that has worked for them to encourage their children to save money.</p> <p style="text-align: center;"><i>(Allow for parents to share their experiences.)</i></p> <p><b>Refer to Handout 3.7: Everyday Ways to Teach Kids about Saving.</b></p> <p><b>Click</b> to Slide 3.25</p>	<p>How can you promote savings with your children?</p> <p style="text-align: right;"><i>slide 3.24</i></p> <p style="text-align: right;"><i>handout 3.7</i></p>

Parents' Challenge	Time: 5 minutes
<p><b>Showing Slide 3.25, explain</b></p> <p>This session's challenge:</p> <ul style="list-style-type: none"> <li>• Have at least one conversation with your child about saving money. (Refer to <b>Handouts 3.8</b> and <b>3.9</b> which give guidance and conversation starters.)</li> <li>• Using <b>Handout 3.7</b>, try at least one of the everyday ways to teach your kids about saving.</li> <li>• Set or review your financial goals.</li> <li>• Create or review your savings plan.</li> </ul>	<div data-bbox="993 527 1411 842"> <p><b>Parents' Challenge</b></p> <ul style="list-style-type: none"> <li>• Talk to your kids about their lesson on saving money.</li> <li>• Try at least one of the everyday ways to teach your child about saving.</li> <li>• Set or review your financial goals.</li> <li>• Create or review your savings plan.</li> </ul> <p><i>Right on the Money: Talking Dollars and Sense with Parents and Kids</i></p> <p><i>slide 3.25</i></p> </div> <div data-bbox="993 884 1192 1142"> <p><b>Handout 3.8</b> Conversation Starters - Saving Money</p> <p><i>handout 3.8</i></p> </div> <div data-bbox="1208 884 1406 1142"> <p><b>Handout 3.9</b> Conversation Starters - Pig Will Be Pig</p> <p><i>handout 3.9</i></p> </div>
Wrap Up	Time Remaining
<p><b>Ask</b> parents to complete the session evaluation (Refer to <b>Handout 3.10</b>).</p> <p><i>(Allow enough time for parents to complete the evaluation.)</i></p> <p><b>Conclusion</b></p> <p>Thank you for attending today's session. I look forward to seeing you next time and hearing about your experiences! Please leave the evaluations before you proceed to pick up your children from the other room.</p>	<div data-bbox="1101 1285 1300 1543"> <p><b>Handout 3.10</b> Lesson Evaluation - Planning Your Savings</p> <p><i>handout 3.10</i></p> </div>