

MoneyTalks

Should I Be Listening? Leader's Guide

SAVINGS MADE SIMPLE

This leader's guide is designed to accompany the *Savings Made Simple* teen guide. The leader's guide includes: learning objectives, background information, discussion questions, activities with accompanying handouts and visuals, a glossary, and a list of additional resources. The background information is meant to prepare instructors to both teach the unit and to provide lecture material to cover with the teens. It is recommended that each teen receive a copy of the teen guide and read it *before* participating in the activities outlined in this guide.

The purpose of this unit is to convey to teens the importance of the habit of saving money. Saving money is an important part of good money management. Teens who are good money managers will be able to achieve financial independence, their goals and possibly their dreams. As an instructor you have the opportunity to explain to teens the many reasons why saving money is important, as well as walk them through the saving process.

BACKGROUND INFORMATION

Money has a tremendous impact on teens. Money plays a large factor in the lifestyles they are able to live and the opportunities available to them. Therefore, it is important for them to know that saving money is one of the most useful skills they can develop.

The habit of saving money can allow even those who make a modest income to be financially successful. In fact, most people who end up with a lot of money didn't make huge salaries or come from wealthy backgrounds. Instead, they made decent money over a long period of time, but knew the importance and power of saving money (Foster, 2005).

Overall Learning Objectives

Teens will:

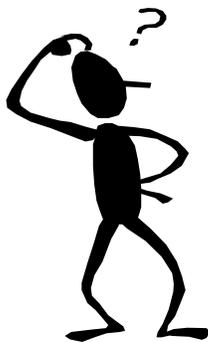
- Understand that the habit of saving is more important than the amount saved
- Learn that saving a little bit each month will add up to a lot of money over time
- Know several reasons why saving money is so important
- Learn the benefits of starting to save now rather than later
- Understand what compound interest is
- Understand the "time value of money" concept
- Know what goals are and how they can promote saving
- Differentiate between short, intermediate, and long-term goals
- Know what a budget is
- Know how to create a budget
- Understand the importance of the "Pay Yourself First" (PYF) principle
- Identify money saving strategies that work for them



University of California
Agriculture and Natural Resources
Publication 8269

Did You Know?

- Teens spend an average of \$19 per week, with older teens spending more at \$26 per week. (Chalres Schwab, 2007)
- U.S. teens (ages 12-17) wield a yearly purchasing power of more than \$200 billion yearly. (Faw, 2010)
- Americans save, on average, less than 1% of their incomes, and the savings rate has been in almost continuous decline for more than two decades. (Pew Research Center, 2008)



* Mention or display of a trademark, proprietary product, or firm in text or in figures does not constitute an endorsement by the University of California and does not imply approval to the exclusion of other suitable products.

What Is Savings?

Saving money simply means setting money aside to spend in the future. There is not one “right” way to do it and no amount is too small to save. Some people consider saving money to be putting spare change into a jar at the end of each day, while others transfer a certain dollar amount from each paycheck in a savings account. It is important for teens to understand that *the amount they save is not nearly as important as the habit of saving on a regular basis*. Small amounts saved consistently over time can grow into significant savings.

Why Save?

The need for instant gratification—wanting something NOW—is a part of human nature. It is this trait that may pose a problem to teens trying to save money. They may think, “Why set money aside instead of enjoying life and spending it now?” or “Why wait to buy it if I can get it with credit now?” The following are some of the important reasons saving money could be a priority for teens:

- To have an emergency fund to cover day-to-day expenses (in case of a job loss, etc.)
- To pay for unexpected expenses (a car repair, auto accident, broken MP3 player, large cell phone bill, etc.)
- To help achieve financial goals (e.g., buying a car, home, computer, vacation, etc.)
- To pay for college
- To take advantage of unexpected opportunities (e.g., a trip, hard to get tickets to a concert or sporting event, a great sale, etc.)
- To avoid credit card debt
- To cover extra expenses for special occasions (prom, birthdays, holidays, etc.)
- To prepare for retirement (The sooner you start the less you have to save.)
- To provide peace of mind and a sense of financial security

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When Should You Save?

It is never too early or too late to start saving. People of all ages can benefit from saving. However, the younger teens are when they start saving, the less likely they will develop financial problems. Starting younger will also give them the advantage of *time* – time for their savings to add up bit by bit. By putting savings in a bank or investing it, teens can let their money work for them. This is known as the power of compounding.

Compound Interest

Interest is money a financial institution pays a person for the use of their money. One method of calculating interest is called “compound interest.” This method allows for earning interest on the interest as well as the principal. Over time, the money will grow depending on the amount saved and the rate of interest paid. This growth is referred to as the “time value of money.” As an example, an individual who begins saving at age 22 and puts \$2,000 per year into an investment earning 9% interest for nine years will have \$579,471 at age 65, based only on their \$18,000 investment. An individual who waits until age 31 to begin saving \$2,000 per year will only have \$470,249 at age 65, even though they invested \$70,000 – almost four times as much as the younger investor.



Did You Know?

- One-fourth of teens agree with the statement, “I am young, so saving money isn’t that important.” (Charles Schwab, 2007)

The Time Value of Money at 9% Interest

	Age start - 22 Age quit - 30	Age Start - 31 Age quit - 65
Amount invested each year	\$2,000	\$2,000
Total invested	\$18,000	\$70,000
Value of investment at age 65	\$579,471	\$470,249



Did You Know?

- Most experts advise saving 10% of earnings each year. (Consumer Action, 2010)

How To Save

For young people who have few expenses, the process of saving is fairly simple. They only have to decide whether they are going to spend their money or save it. It is simply a matter of *committing* to save. For others who have more financial responsibilities, saving may require more planning. In addition to a commitment to save, they need to *come up with a plan* that allows them to both save money and cover their expenses. Two tools that are helpful in creating this plan are *goals* and a *budget*.

Goals

A goal is something to work toward. Simply knowing progress is being made toward achieving a goal can motivate teens to stick with it - despite the effort and sacrifice along the way. That is why setting financial goals is an important part of the savings process. Teens who know exactly what they want to accomplish with their money have a far better chance of making it a reality.

The length of time it will take to accomplish a goal can vary. Goals can be:

- Short-Term: accomplished in one month to one year
- Medium-Term: accomplished in one to five years
- Long-Term: accomplished in five years or more

It is important for teens to carefully think a goal through for it to be useful. A well thought out savings goal will specifically answer:

- **what** they are saving for, including the cost and as many details as possible (e.g., I will buy a black iPod for \$275 plus tax);
- **when** they need the money, using specific dates (e.g., six months from now);
- **where** they will find the money to save (e.g., by saving \$40 of my lawn mowing money each month); and
- **why** the goal is important to them (e.g., because I will be able to enjoy my music wherever I go).



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A goal will also need to be *realistic* to achieve. Goals that are set too high will simply set teens up for failure and may discourage them from pursuing their goals further. (e.g., If they only make \$50 a month from mowing lawns, and have \$25 worth of expenses, setting aside \$40 is not realistic. A more realistic goal is to save \$25 each month for a longer period of time.)

Since teens will likely have several financial goals and limited money, it would be helpful to prioritize their goals to determine which one they want to achieve first. It is a good idea to rank goals that meet *needs* first (essentials), and then pursue *wants* (extras that improve the quality of life). It's easy to get into financial trouble when the focus is on having extras (e.g., designer clothes, fancy cars, etc.) instead of taking care of the basics (e.g., a decent pair of shoes to wear, basic transportation).

Teens can discover that long-term financial goals that may seem impossible to reach, can be achieved with discipline, patience, and commitment. However, it is necessary to *be flexible* in the event that they find their goal is unrealistic or circumstances change which prevent them from sticking with their original goal. Instead of doing away with their goal entirely, help them learn how to make adjustments so that they can continue to work toward it.

Budgets

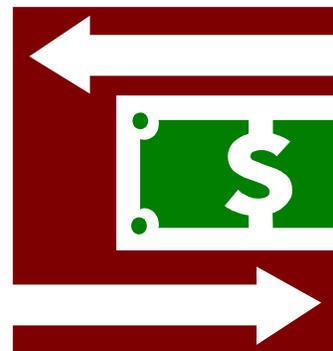
While goals provide motivation to save and a target to shoot for, *a budget is a plan for spending and saving* that will help teens get there. Budgets are important for all stages of life and all income levels. Whether teens make minimum wage now or \$100,000 in the future, a budget will help them set spending limits and ensure that they don't run out of money. Most people don't use a budget, which contributes to the average national savings rate being so low and the average credit card debt being so high.

A budget will put teens in control of their money by helping them account for their income and expenses and then balance the two. A budget can also have a built-in savings plan that can prevent teens from acquiring debt (or help pull them out

Did You Know?

- Average credit card debt per household with credit card debt: \$15,799* (Woolsey, 2011)

* - Calculated by dividing the total revolving debt in the U.S. (\$793.1 billion as of May 2011 data, as listed in the Federal Reserve's July 2011 report on consumer credit) by the estimated number of households carrying credit card debt (50.2 million)



Did You Know?

- Forgetting to list occasional expenses in a budget is often the cause of financial difficulty.
- A common mistake when cutting back on expenses is to assume that the amount they cut back equals savings. However, cutting expenses is only the first step in a two-step process. The second step is actually putting the money into a savings account. (Strain, 2005)
- No matter how little teens think they have, they are probably more fortunate than most. When constructing a budget, teens may want to include a section for charitable giving.

from existing debt) and help them reach their goals. The best way to build a savings plan into a budget is to **PAY YOURSELF FIRST (PYF)**! The first expense everyone should put on their budget is the amount they plan to save each time they receive money. Setting aside money at the beginning of the budget period ensures there is money to save. Otherwise, the money may run out or be spent on something else.

To create a basic budget, teens must:

1. Determine the time frame that the budget is set up for (e.g., weekly, monthly, etc.).
2. List all forms of income – all money coming in after tax.
3. Add up total income.
4. Determine expenses – all money going out – including:
 - **fixed expenses** – those which require approximately the same amount of money each month (e.g., PYF savings, rent, car payment).
 - **variable expenses** – those that change from one budget period to the next (e.g., food, gas, clothes, cell phone bill).
 - **occasional expenses** – those that occur infrequently (e.g., holidays, vacations, special events, major car repairs).

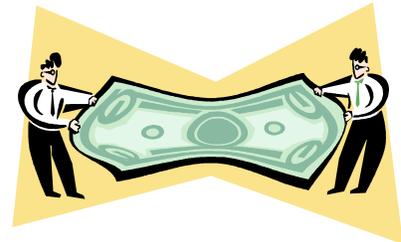
To be sure expenses are realistic, it is helpful to track spending. Encourage teens to track their expenses for at least a week. If they pay monthly bills such as a car payment, insurance, rent, cell phone bill, etc., tracking expenses for a month would give them a complete picture of their spending. Suggest options for finding a system to record daily expenses to gain an accurate picture of actual spending.

5. Add up total expenses.
6. Determine if the income covers all current expenses by subtracting total expenses from total income.
7. Adjust expenses so that income and expenses are equal.
8. Continue tracking and comparing spending to the budget.
9. Revise budget so that it is realistic and works.

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Changes in income (e.g., a raise or change in the amount of hours worked), expenses (e.g., a new car payment, or a new cell phone plan), and circumstances (e.g., moving out on their own or starting college) will require teens to continually revisit their budget to determine if it is still realistic, effective, and helping them reach their goals. If it is not, help them learn how they can make changes that will make the budget useful. Help teens understand that having a budget is useful only if they stick to it.



Stretching Your Dollars

Teens who never have enough money to cover their expenses or who are barely squeaking by on the money they have may wonder where their “Pay Yourself First” money will come from. As shown on pages 2–7 of the *Savings Made Simple* teen guide, there are many easy ways to save. By taking lunch to school instead of buying it, or curbing a habit of downloading the latest song, money can really add up. Teens may find that their satisfaction from having money in the bank or achieving their goals will outweigh the things they had to do without.

Where Should You Put Savings?

Encourage teens to think about where they are going to put the money they save. Financial institutions have several savings account options. Reasons for using a financial institution to save money include: to ensure that money is secure, to remove the temptation of spending it, and to earn interest on the money. (The *Money Talks—Should I Be Banking? Savings Account Strategies* teen guide is dedicated to this topic in detail.)

Beware of Credit

Anyone, including teens, can give into the temptation to use credit cards as a substitute for saving money. Making a few bad choices when using credit cards can wipe out savings, sabotage a budget, hinder the chance of achieving financial goals, and build debt. Credit cards are best used for purchases within the budget that can be paid off each month. (The *Money Talks—Should I Be Charging? Dealing the Cards of Credit* teen guide is dedicated to this topic in detail.)

Opening Discussion Questions:

- What are three reasons saving money is important?
- How do you know where your money goes?
- How do you save money regularly?
- What do you want for yourself in the future?
- How can you make your money work for you?



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ACTIVITY ONE: SAVING MONEY AND SETTING FINANCIAL GOALS

Estimated Activity Time: 60 minutes

In this activity, teens will explore the importance of saving money and determine what they want to accomplish with their money. They will start to understand that a commitment to saving, regardless of how little or much money they make, can affect the quality of their lives. Next, teens will identify things they want to achieve with their money and prioritize these goals in the order they want to accomplish them. Finally, teens will learn how to write effective financial goals.

Getting Ready Checklist

- Visual #1, #2 and #3 to display
- Copy Handouts #1 and #2 for each teen
- Set up projector
- Set up DVD player, video player or computer/LCD projector

Doing the Activity

1. Begin the lesson by sharing with teens that “most people who end up with a lot of money didn’t make huge salaries or come from wealthy backgrounds. Instead, they made decent money over a long period of time, but knew the importance and power of saving money.” (Foster, 2005)
2.  To introduce the importance of savings show the 5 -minute “Making Your Dreams Come True” video, available free at moneytalks4teens.org. (Refer to the Additional Resources section of this leader’s guide for ordering information.)

Learning Objectives

- Teens will identify several reasons to save
- Teens will understand that the amount of money they save is not as important as the habit of saving on a regular basis
- Teens will understand what compound interest is
- Teens will understand the “time value of money” concept
- Teens will know what a goal is and how goals can affect saving
- Teens will explain what short, intermediate, and long-term goals are
- Teens will identify their financial goals
- Teens will learn how to write effective financial goals

Supplies Needed

- *Savings Made Simple* teen guide
- Visual #1 (p. 25)
- Visual #2 (p. 26)
- Visual #3 (p. 27)
- Handout #1 (p. 30)
- Handout #2 (p. 31)
- Projector
- “Making Your Dreams Come True” video/DVD/online





3. Go over the “What Is Savings” section on p. 2 of the leader’s guide Background Information.
Emphasize that:
 - Saving money simply means setting money aside to spend in the future
 - There is not one “right” way to save
 - No amount is too small to save***The amount saved is not as important as the habit of saving on a regular basis.***
4. Hold a group discussion on why saving money is important. Have teens review the “Nine Great Reasons to Save” section on p. 11 of the *Savings Made Simple Teen Guide* for some additional ideas.
5. Review the “Why Save?” section on p. 2 of the leader’s guide Background Information including any of these ideas that the teens did not mention:
 - To cover day-to-day expenses
 - To have an emergency fund
 - To pay for unexpected expenses
 - To help achieve financial goals
 - To pay for college
 - To take advantage of unexpected opportunities
 - To avoid credit card debt
 - To cover extra expenses for special occasions
 - To prepare for retirement
 - To provide peace of mind and a sense of financial security
6. Next, go over the “When Should You Save?” section on p. 3 of the Background Information.
Include the following points:
 - It is never too early or too late to start saving
 - People of all ages can benefit from saving their money
 - Interest is money a financial institution pays a person for the use of their money
 - Compounding is interest on accumulated interest as well as the principal
 - This is known as the *power of compounding*

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- Investing money in an account that earns interest when you are young, allows the money to grow in value over time
- This growth is referred to as the *time value of money*

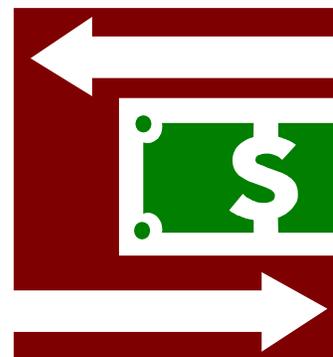
Display Visual #1 to illustrate the “Time Value of Money”, followed by Visual #2 for a more dramatic example. (Visual #1 and #2, pp. 25–26)

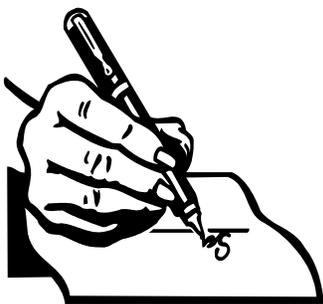
7. Display Visual #3 for teens to use as a reference when answering the following questions. Have the teens pair up to consider the following questions: What do you want in life? What do you want right now? What do you want in five, ten or twenty years? How are you going to get these things? After 5 minutes of discussion and sharing, ask for volunteers to share their thoughts on these questions. (Visual #3, p. 27)

8. Go over the “How To Save” section, through “Goals, on pp. 4–5 of this leader’s guide.

Include the following points:

- The first step to savings is to commit to saving money
- Secondly, develop savings goals—how much money to save and how to save the money
- A goal is something to work toward
- Set realistic goals that can be reached
- Avoid setting goals too high as it can be discouraging to not reach the goal
- Even realistic goals may not always be reached—sometimes things change that do not allow for reaching the goal
- When someone is not able to reach a realistic goal they should be flexible and give themselves permission to readjust the goal and try again
- Goals should be as specific as possible
They should include:
 - ◆ **what** will be achieved (including the cost)
 - ◆ **when** it will occur (using specific dates)
 - ◆ **where** the money will come from to achieve the goal
 - ◆ **why** the goal is important





-The assessment tools provided with each leader's guide are intended for the leaders to use at their discretion. Depending on the group of teens, the leaders may want to use the assessments as additional activities, homework, or as a means to determine a formal grade for completing the unit.

Using the same partners as in Step 7, have the teens identify 3 goals they would like to achieve. Have each teen identify one goal they can achieve in 3 months, one that can be achieved in 1 year, and one that can be achieved in 5 years. Allow them to discuss how they will get the money needed to reach these goals.

9. Distribute Handout #1 to each teen. Ask them to list eight things they would like to have or do that require money (e.g., buy a computer, go on a trip, save for college). (Handout #1, p. 30)
10. When teens have finished Handout #1, have them rank their list in order of priority.
11. Distribute Handout #2 to each teen and reiterate that a well thought out money goal will specifically answer: **what** you will do, including the cost and as many details as possible; **when** you will do it, using specific dates; **where** the money will come from to achieve the goal; and **why** the goal is important to you. Ask teens to complete Handout #2 with their top goal from Handout #1. After everyone has written a goal, encourage teens to discuss how challenging it was to develop a financial goal. Also encourage them to discuss how likely they are to achieve the goal they wrote. (Handout #2, p. 31)
12. Remind teens that goals should be **realistic**. Goals that are set too high may discourage them from pursuing their goals further. Also, reemphasize that it's OK to **be flexible** if they discover their goal is unrealistic or circumstances change which prevent them from sticking with their original goal. Instead of giving up, they may give themselves permission to adjust the goal so that they can continue to work toward it.

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ACTIVITY TWO: CREATING AN EFFECTIVE BUDGET

Estimated Activity Time: 60 minutes

In this activity, teens will create a spending plan/budget that will put them in control of their money. Teens will begin by looking closely at how much money they have and how they spend it. Then, teens will learn how to create a budget that can help them save money and reach their financial goals.

Getting Ready Checklist

- Visuals #4 and #5 to display
- Copy Handouts #3 and #4 for each teen
- Set up projector
- 6 whiteboard marker pens in different colors
- Computer with online capabilities (optional)

Doing the Activity

1. Begin the lesson by going over the “Budgets” portion of the “How to Save” section of the leader’s guide Background Information on pp. 5–6.

Include the following points:

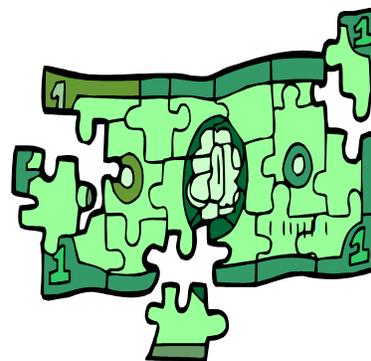
- A budget is a plan for spending and saving
- Budgets are useful for all stages of life and all income levels.
- A budget helps set spending limits and provides a tool to avoid running out of money.
- People who use a budget are less likely to have money problems.
- A budget can also have a built in savings plan.
- An easy way to put a savings plan into a budget is to *PAY YOURSELF FIRST (PYF)*. This means to add money to a savings account before paying any other bills. PYF works because money is saved before it’s spent on other things.

Learning Objectives

- Teens will account for how much money they spend and where they spend it
- Teens will understand that a budget is a plan for spending and saving
- Teens will understand the “Pay Yourself First” concept
- Teens will know how to create a budget

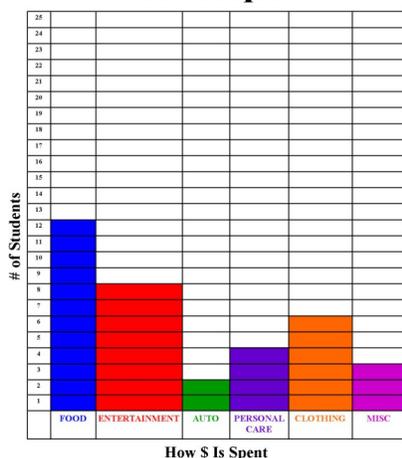
Supplies Needed

- Visual #4 (p. 28)
- Visual #5 (p. 29)
- Handout #3 (p. 32)
- Handout #4 (p. 33)
- Projector
- 6 whiteboard marker pens in different colors (preferably blue, red, green, purple, orange, and pink)
- Computer with online capabilities (optional)



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**How We Spend Our Money
Bar Graph**



2. Emphasize the importance of having accurate expense information when creating an effective personal budget. Acknowledge that most people will probably have to estimate their income and expenses for this class activity.
3. Distribute a copy of Handout #3 to each teen. Explain that this exercise will help them figure out just how much money they spend on certain flexible expenses (expenses that change monthly). Suggest they track their spending on a daily basis for a week or a month to know how much they really spend. (Handout #3, p. 32)
4. When students have had time to complete Handout #3, encourage reflection of their findings by breaking into small groups and discussing: “What surprised you about how much you spend?” “Which category is your biggest monthly expense?” How does your spending compare to others in your group? Why is your spending the same or different?

Display Visual #4 so that teens can use various color overhead pens or whiteboard markers to fill in the How We Spend Our Money Bar Graph. (See sample in sidebar.) Have one teen from every group graph each group member’s biggest monthly expense on the bar graph. When all of the teens’ biggest monthly expenses are recorded, discuss the results of the graph with the entire group. (Visual #4, p. 28)

5. Next, display Visual #5. Walk teens through each step of how to make a budget. *Emphasize the importance of putting the amount they plan to save as the first fixed expense on their budget by using “Pay Yourself First” or PYF.* Also note that it can be hard to know how much is spent on each item. (Visual #5, p. 29)
6. Pass out Handout #4 to each teen. Explain that they will create their own budget with the help of their answers on Handout #3. (Handout #4, p. 33)

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7. When teens have finished their budgets, ask them, “How hard was it to balance your budget when including savings?” “How will having a budget affect your future spending?” Summarize this activity by noting that a budget is useful only if they stick to it.

8. Finally, remind teens that changes in:

- income (e.g., a raise or change in the amount of hours worked);
- expenses (e.g., a new car payment, or a different cell phone plan) and
- circumstances (e.g., moving out on their own or starting college)

will require them to revisit the budget to determine if it is still realistic, effective, and helping them reach their goals. If it is not, help them understand that they can make changes in the budget to reflect current circumstances.

9.  If internet access is available, the Expense Station Game on the Money Talks website can be used as an additional budgeting activity. The Expense Station Game can be found online at moneytalks4teens.org. Click on the game control button for a complete listing of the games available.



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ACTIVITY THREE: PUTTING THE PIECES TOGETHER

Estimated Activity Time: 60 minutes

In this activity, teens will look at easy ways they can save money. They will also examine how setting goals and using a budget go hand-in-hand with saving regularly. Teens will begin by identifying saving strategies they can use to reduce their own expenses. Then, they will read a scenario about an individual and put all that they have learned about money saving strategies, goals, and budgets together to help save money regularly. Finally, teens will learn the advantages of putting their money in a financial institution.

Getting Ready Checklist

- Copy Handout #5 for each teen
- Copy Handouts #6a and #6b for each pair

Doing the Activity

1. Begin by asking teens to get out their *Savings Made Simple* teen guide. While some teens may have already done this on their own, ask the class to read the “Money Savings Strategies” and select those that they feel would work for them. Ask the teens what other savings strategies they use to save money, besides those listed in the teen guide. Encourage a class discussion by asking some of the following questions: “Which of the strategies do you think will be easiest to do?” “Which strategy do you think will help you save the most money?” “Which strategies do you already use?”
2. Allow teens to decide on individual saving strategies that will work best for them by providing time to complete the “Saving My Way” chart on p. 8 of the teen guide.

Distribute Handout #5 to each teen. Ask them to write down their last five purchases – including what they bought and the reason for buying it (e.g., I spent \$10 for a movie ticket so I could hang out with my friends.). Then, have teens try to think of a way they could have saved money for each one (e.g., I could have used my student

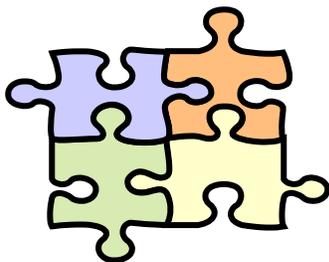
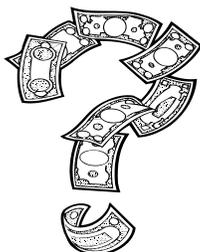
Learning Objectives

- Teens will identify money saving strategies that work for them
- Teens will learn how the combination of using money saving strategies, setting goals, and creating a budget can allow them to save money regularly
- Teens discuss why they should put their savings in a financial institution

Supplies Needed

- *Savings Made Simple* teen guide
- Handout #5 (p. 34)
- Handout #6a (p. 35)
- Handout #6b (p. 36)
- Answer Key for Handout #6a (p. 37)
- Answer Key for Handout #6b (p. 38)

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ID for a discounted ticket, gone to a matinee, or rented some DVDs to watch with friends at my house). (Handout #5, p. 34)

4. When teens are finished, ask them to share some of their expenses and money saving ideas with the class. Write their ideas on a flip chart or whiteboard. Suggest teens write down any new ideas they heard.
5. Next, divide teens into twos and distribute Handouts #6a and #6b to each pair. Explain that they will read a scenario about a teen and then map out goals, figure out ways to cut back on her spending, and create a budget that will allow her to save the money she needs to reach her goals. (Handout #6a and #6b, pp. 35–36)
6. When teens are done, go over their answers – see Answer Key for Handout #6a and #6b on pp. 37–38 for possible answers. Note – the answers for #2, the expense section of #3, and #4 will vary with each group depending on how they decided to cut back spending. (Answer Key for Handout #6a and #6b on pp. 37–38)
7. If time and interest allows, review the “Where Should You Put Savings?” section on p. 7 of the leader’s guide Background Information. Begin by asking “Once you start saving money, where will you keep your savings?” When using a financial institution is mentioned, ask “What are the advantages of using banks and credit unions for savings? Include the following advantages if not mentioned by the teens: the money is safe, it’s less likely to be spent, and it can earn interest.
8. Summarize the lesson by reminding teens that the first and most important step to savings is to commit themselves to wanting to save money.

Savings Made Simple



Additional Resources

- *America Saves* is a nationwide campaign in which a broad coalition of nonprofit, corporate, and government groups help individuals and families save and build wealth. Teens might particularly be interested in the feature “Save for Auto Purchases”. “Finding Money to Save” offers some ideas teens may not have thought of—such as saving all your loose change and depositing it in your savings account. Teens and others can register their savings goals and monitor their progress; learn about proven savings strategies, get savings tips, and find other reliable sources of information about saving and investing.
<http://www.americasaves.org>
- *It’s Amazing: How a Small Savings Account Can Get Big Over Time*. This brief article from FDIC’s *Consumer News* explains how saving even small amounts of money—just \$10, \$15, or \$50 a month—can result in a substantial sum over time. It contains a table showing savings over 5 years. (This is useful since most charts of this type emphasize saving for 20 years or more.)
<http://www.fdic.gov/consumers/consumer/news/cnsum06/amazing.html>
- *Jump\$tart Coalition for Personal Financial Literacy* is an organization that encourages curriculum enrichment to ensure that basic personal financial management skills are attained during the K-12 educational experience. The website offers “*Reality Check*,” an interactive survey that allows teens to choose the kind of life they want to have and then tells them how much their “dream life” is going to cost.
<http://www.jumpstart.org/reality-check.html>
- *Making Your Dreams Come True* is a 5-minute video is available for purchase in DVD or VHS format or free download at the Money Talks website.
<http://moneytalks4teens.org>
- *MoneySkill*® is a free, online financial literacy course aimed at high school and college students, containing a module on savings. The American Financial Services Association Education Foundation developed the program to be used as part of a course in personal finance, economics, business, math, or social studies.
<http://www.moneyskill.org>

Additional Resources cont.

- *Money Talks* is a financial literacy website for teens available in both English and Spanish. It contains downloadable versions of money management teen guides, interactive games, simple exercises, videos/DVDs and links to other financial websites. Teens can see a list of frequently asked questions and answers. They can also submit their own questions and wait for answers to be posted to the site. Teachers/leaders have access to a special section of the site containing leader's guides for each unit, research articles, and additional links.
<http://moneytalks4teens.org>
- *Practical Money Skills for Life*[™] is a website developed by VISA designed to help teachers, parents and teens practice better money management for life.
<http://www.practicalmoneyskills.com>

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Savings Made Simple Glossary

Budget A plan for spending and saving based on income.

Compound Interest Interest calculated on the original principal, and the interest already earned.

Expense Money going out.

Goal Something to work toward.

Income Money coming in.

Interest Money paid to someone to use his or her money.

Need Something that is essential or basic for life.

PYF Pay yourself first—a strategy for saving money.

Savings Money set aside to spend in the future.

Time Value of Money The growth that results from money saved over a period of time at a given interest rate.

Want Something extra that improves the quality of life.



This publication has been anonymously peer reviewed for technical accuracy by University of California scientists and other qualified professionals. This review process was managed by the ANR Associate Editor for Youth Development.

To simplify information, trade names of products have been used. No endorsement of named or illustrated products is intended, nor is criticism implied of similar products that are not mentioned or illustrated.

ANR Publication 8269

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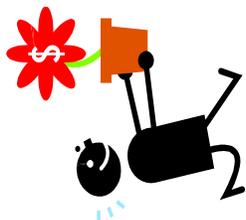
Money Talks...Should I Be Listening? Is a series of teen and leader's guides designed for teens. The topics and subject matter content are based on the results of a survey completed by teens. The goals of these teen guides and leader's guides are to assist teens in 1) identifying their money spending and saving habits; 2) understanding the importance of long-term savings, and 3) developing savings plans that meet their lifestyles. Comments regarding these teen guides and leader's guides can be addressed to: Consumer Economics Department, University of California Cooperative Extension (UCCE), 135 Building C, Highlander Hall, Riverside, CA 92521. Author: Susan Cortz, Senior Writer, UC Riverside; Development Team: Patti Wooten Swanson, Brenda Roche, Shirley Peterson, Margaret Johns, Charles Go, Karen Varcoe and UCCE Money Talks Workgroup. 2007, revised 2012



**The Time Value of Money
at 9% Interest**

	Age start - 22 Age quit - 30	Age Start - 31 Age quit - 65
Amount invested each year	\$2,000	\$2,000
Total invested	\$18,000	\$70,000
Value of investment at age 65	\$579,471	\$470,249

See how a monthly savings of just \$50 can grow with the power of compounding!



Year	Interest Rate									
	2%	3%	4%	5%	6%	7%	8%	9%	10%	
1	\$605	\$610	\$610	\$615	\$615	\$620	\$625	\$625	\$630	
2	1,225	1,235	1,245	1,260	1,270	1,285	1,295	1,310	1,320	
3	1,855	1,880	1,910	1,940	1,965	1,995	2,025	2,060	2,090	
4	2,495	2,545	2,600	2,650	2,705	2,760	2,820	2,875	2,935	
5	3,150	3,230	3,315	3,400	3,490	3,580	3,675	3,770	3,870	
10	6,635	6,985	7,365	7,765	8,195	8,655	9,145	9,675	10,240	
15	10,485	11,350	12,305	13,365	14,540	15,850	17,300	18,920	20,710	
20	14,740	16,415	18,340	20,550	23,100	26,045	29,450	33,395	37,970	
25	19,440	22,300	25,705	29,775	34,650	40,505	47,550	56,055	66,340	
30	24,635	29,135	34,700	41,615	50,225	61,000	74,520	91,534	113,025	
50	51,480	69,465	95,470	133,435	189,360	272,405	396,585	583,455	866,220	

What do you
want *in life*?

What do *you*
want **right now**?

What do **you**
want in
5, 10 or 20 years?

How are you going
to get
these things?

How We Spend Our Money

Bar Graph

of Students

25						
24						
23						
22						
21						
20						
19						
18						
17						
16						
15						
14						
13						
12						
11						
10						
9						
8						
7						
6						
5						
4						
3						
2						
1						
	FOOD	ENTERTAINMENT	AUTO	PERSONAL CARE	CLOTHING	MISC

How \$ Is Spent

Savings Made Simple



1. Determine the time frame that the budget is set up for (e.g., weekly, monthly, etc.).

2. List all forms of income - all money coming in after tax.

Budget period:	
INCOME:	
Work	\$ _____
Allowance	\$ _____
Gifts	\$ _____
Other	\$ _____
Total Income:	\$ _____
EXPENSES:	
Fixed -	
Savings (Pay Yourself First)	\$ _____
Rent	\$ _____
Car Insurance	\$ _____
Loan Payment (Car, Student)	\$ _____
Variable -	
Food	\$ _____
Entertainment	\$ _____
Auto	\$ _____
Cell Phone Bill	\$ _____
Personal Care	\$ _____
Clothing	\$ _____
Miscellaneous	\$ _____
Occasional -	
Holiday / Gifts	\$ _____
Major Car Repair	\$ _____
Other	\$ _____
Total Expenses:	\$ _____
DIFFERENCE	\$ _____

3. Add up total income.

4. Determine expenses - all money going out.

5. Add up total expenses.

6. Determine if your income covers all of your current expenses by subtracting total expenses from total income.

Fixed expenses are approximately the same amount each month

Variable expenses change each month

Occasional expenses occur infrequently

7. Adjust expenses so that income and expenses are equal.

8. Continue tracking and comparing spending to budget. Revise budget so that it is realistic and works for you.



Selecting Financial Goals

Think about the things you want to have or do that will require money. Make a list of those things as well as the reasons why.

What Do You Want To Accomplish?	Why ?
<i>Example: I want to buy a laptop computer.</i>	<i>I would be able to work on my school papers and play computer games even if I am not at home.</i>
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	

Savings Made Simple



Writing Financial Goals



Write three financial goals you would like to accomplish that state: *what* you want, including the total cost and as many details as possible; *when* you want it, using specific dates; *where* the money will come from to achieve the goal; and *why* the goal is important to you.

Example

What: <i>I will buy a MP3 for \$215 plus tax</i>
When: <i>six months from now</i>
Where: <i>by saving \$40 dollars of my lawn mowing money each month</i>
Why: <i>because I will be able to enjoy my music everywhere I go</i>

Goal #1

What:
When:
Where:
Why:

Goal #2

What:
When:
Where:
Why:

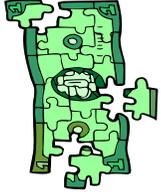
Goal #3

What:
When:
Where:
Why:

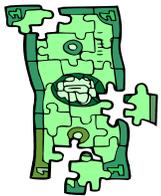


Should I Be Listening?
Leader's Guide

Savings Made Simple



Expenses Worksheet



Knowing how you spend your money will help you create a personal and meaningful budget. Track your monthly expenses below. (Note: *Entertainment includes movies, books and magazines, video games, music, concerts, amusement parks, etc.*)

	Food	Entertainment	Auto	Personal Care	Clothing	Misc.
Sun.	\$	\$	\$	\$	\$	\$
Mon.	\$	\$	\$	\$	\$	\$
Tues.	\$	\$	\$	\$	\$	\$
Wed.	\$	\$	\$	\$	\$	\$
Thurs.	\$	\$	\$	\$	\$	\$
Fri.	\$	\$	\$	\$	\$	\$
Sat.	\$	\$	\$	\$	\$	\$
Weekly Total	\$	\$	\$	\$	\$	\$
X 4						
Monthly Total	\$	\$	\$	\$	\$	\$

Savings Made Simple



CREATE YOUR BUDGET

Create a budget for yourself by adding up ALL income and then subtracting ALL expenses from it. Adjust your expenses until total income and total expenses balance.



Budget period:		
INCOME:		
Work	\$	
Allowance	\$	
Gifts	\$	
Other	\$	
<u>Total Income:</u>		\$
EXPENSES:		
Fixed -		
Savings (Pay Yourself First)	\$	
Rent	\$	
Car Insurance	\$	
Loan Payment (Car, Student)	\$	
Variable -		
Food	\$	
Entertainment	\$	
Auto (Gas, Oil, Etc.)	\$	
Cell Phone Bill	\$	
Personal Care	\$	
Clothing	\$	
Miscellaneous	\$	
Occasional -		
Holiday / Gifts	\$	
Major Car Repair	\$	
Other	\$	
<u>Total Expenses:</u>		\$
<u>DIFFERENCE</u>		\$



Where Does Your Money Go?

Write down your last five purchases below, including the amount, what you bought, and the reason for buying it.

\$ Amount	For What	Reason
<i>Example: \$10</i>	<i>Movie ticket</i>	<i>To hang out with my friends.</i>
1.		
2.		
3.		
4.		
5.		

Write down ways you could have saved money for each purchase listed.

Example: I could have used my student ID for a discounted ticket, gone to a matinee, or rented some videos to watch with friends at my house.

1. _____

2. _____

3. _____

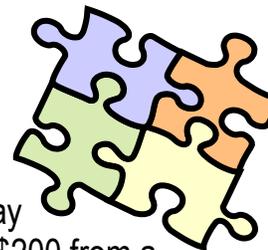
4. _____

5. _____

Savings Made Simple



Putting the Pieces Together



Sarah is a seventeen-year-old high school senior. She is a nice person, a hardworking student and responsible in many ways – except when it comes to spending money. Even though her parents pay for all of her needs, and she has a monthly income of \$50 allowance, \$200 from a regular babysitting job, and \$35 from walking the dogs next door, she is always penniless and asking to borrow money from her folks by the end of the month.

Sarah is responsible for paying for her cell phone bill, gas, entertainment, and “extra” clothing. She usually has a \$50 cell phone bill, pays about \$60 for gas (which is mainly used to drive her friends around whenever they go out), spends around \$40 buying lunch out at school, and guesses that she spends about \$20 dollars a month buying her favorite celebrity magazines. Sarah goes to the movies *at least* twice a month for \$15 for a ticket and popcorn *each time*, and goes out to eat almost every weekend for about \$8 each time. Shopping at the up-scale Fashion Plaza is her favorite past-time where she buys the latest style, spending an average of \$100 a month.

A group of Sarah’s friends are talking about going on the school sponsored “senior trip” after graduation in six months. Her parents say that she can go – but only if she pays for half of the \$600 cost. While she wants to save the \$300 she needs for the trip, she also has her eye on a \$160 blue dress she wants to wear to the prom in four months. Of course, she wants to be able to have some money for fun too.

Answer the following questions based on the information above.

- Write two goals for Sarah.

What: _____

When: _____

Where: _____

Why: _____

What: _____

When: _____

Where: _____

Why: _____



Savings Made Simple

2. How can Sarah cut back on her current spending?

3. Create a balanced budget for Sarah that will help her achieve her goals.

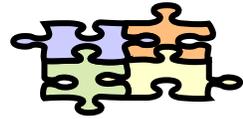
Budget period:		
INCOME:		
Allowance	\$	
Babysitting	\$	
Dog Walking	\$	
	\$	
Total Income:		\$
EXPENSES:		
Fixed - Pay Yourself First		
	\$	
	\$	
Variable -		
Food	\$	
Cell Phone	\$	
Gas	\$	
Entertainment	\$	
Clothing	\$	
Total Expenses:		\$
DIFFERENCE:		= \$

4. What did Sarah give up in order to reach her goal?

Savings Made Simple



Putting the Pieces Together



Sarah is a seventeen-year-old high school senior. She is a nice person, a hardworking student and responsible in many ways – except when it comes to spending money. Even though her parents pay for all of her needs and then some, AND she has a monthly income of \$50 allowance, \$200 from a regular babysitting job, and \$35 from walking the dogs next door, she is always penniless and asking to borrow money from her folks by the end of the month.

Sarah is responsible for paying for her cell phone bill, gas, entertainment, and “extra” clothing. She usually has a \$50 cell phone bill, pays about \$60 for gas (which is mainly used to drive her friends around whenever they go out), spends around \$40 buying lunch out at school, and guesses that she spends about \$20 dollars a month buying her favorite celebrity magazines. Sarah goes to the movies *at least* twice a month for \$15 for a ticket and popcorn *each time*, and goes out to eat almost every weekend for about \$8 each time. Shopping at the up-scale Fashion Plaza is her favorite past-time where she buys the latest style, spending an average of \$100 a month.

A group of Sarah’s friends are talking about going on the school sponsored “senior trip” after graduation in six months. Her parents say that she can go – but only if she pays for half of the \$600 cost. While she wants to save the \$300 she needs for the trip, she also has her eye on a \$160 blue dress she wants to wear to the prom in four months. Of course, she wants to be able to have some money for fun too.

Example:

1. Write two goals for Sarah. ANSWERS WILL VARY

What: ***I will save \$300 to pay for my senior trip***

When: ***six months from now***

Where: ***by saving \$50 each month from cutting back on entertainment costs***

Why: ***because I will remember the time with my friends for the rest of my life***

What: ***I will save \$160 to pay for the blue prom dress***

When: ***four months from now***

Where: ***by saving \$40 by cutting back on my clothing expenses***

Why: ***because I will feel great at prom and have the pictures forever***



Savings Made Simple

2. How can Sarah cut back on her current spending? ANSWERS WILL VARY

- Bring lunch to school from home most of the time.
- Use less gas by taking turns driving with friends.
- Go to the movies less often, go to matinees, or rent movies.
- Check out books from the library or buy one and trade with friends.
- Limit celebrity magazines to one a month and trade with friends.
- Eat out less. Take turns cooking at friends houses. Order water with meals.
- Shop sales only at the Fashion Plaza, or buy at discount stores.

3. Create a balanced budget for Sarah that will help her achieve her goals.

Budget period:		
INCOME:		
Allowance	\$ 50	<div style="border: 1px solid black; padding: 5px; display: inline-block;">TOTAL ALL INCOME</div> \swarrow \searrow
Babysitting	\$ 150	
Dog Walking	\$ 35	
	\$	
Total Income:		\$ 235
EXPENSES:		
Fixed - Pay Yourself First	\$ 90 (\$40 + \$50)	<div style="border: 1px solid black; padding: 5px; display: inline-block;">\$40 x 4 months = \$160 for the dress \$50 x 6 = \$300 for the trip.</div>
	\$	
Variable - Food	\$	<div style="border: 1px solid black; padding: 5px; display: inline-block;">VARIABLE EXPENSE ANSWERS WILL VARY DEPENDING ON WHERE TEENS CUT BACK ON</div>
Cell Phone	\$	
Gas	\$	
Entertainment	\$	
Clothing	\$	
Total Expenses:		- \$ 235
DIFFERENCE:		= \$ 0

EXPENSES SHOULD BE NO MORE THAN \$235

INCOME AND EXPENSES SHOULD BALANCE

4. What did Sarah give up in order to reach her goal?

ANSWERS WILL VARY DEPENDING ON WHERE TEENS CUT BACK ON SPENDING