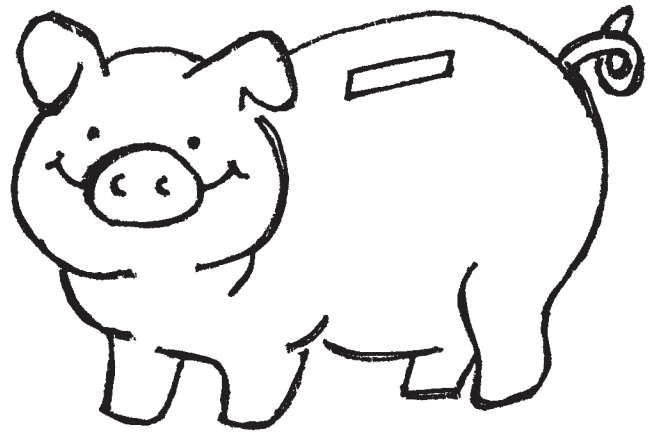
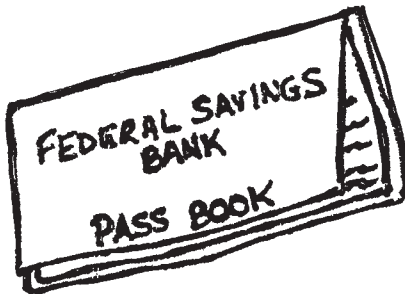
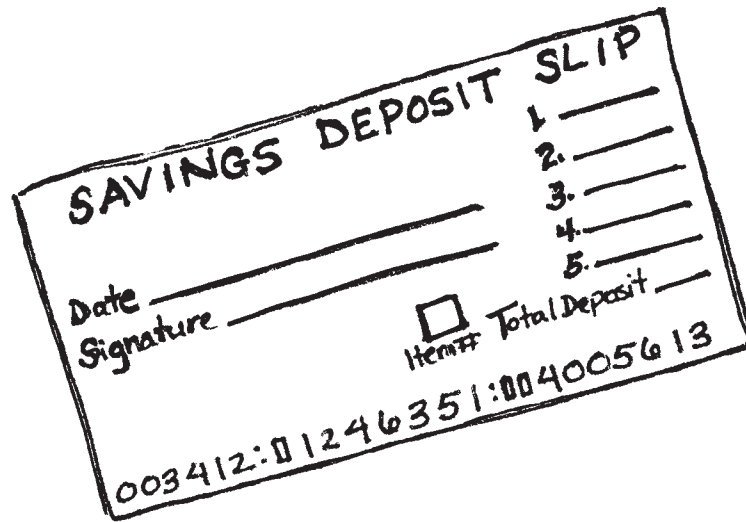


Saving



For individuals, **saving** is the part of one's income that is not spent. People often place their savings in banks and credit unions, which in turn lend the money to businesses and other individuals. Sometimes people use their savings to purchase financial securities, such as stocks or bonds. It is important to save regularly, especially for things like education, retirement, and financial emergencies.

Questions About Savings

1. Why do you think it is important for people to save? *(Saving helps us purchase expensive things, such as education, home, or car. To live comfortably after retirement requires saving. Also, emergencies arise and it helps to have savings!)*
2. Instead of saving for expensive items, what do people often do to purchase them? *(borrow). How can this sometimes be a problem? (People borrow too much and can't repay their debt.)*
3. What are some ways or places people use to save their money? *(banks and credit unions, purchases of stock or bonds, under the mattress!)* Why is "under the mattress" generally not a good idea? *(no interest or return on your savings, could get stolen, inflation erodes the value of your savings)*
4. Give examples of short-term and long-term savings goals. *(Short-term: family vacation, bicycle, summer camp, car repair, etc. Long-term: retirement, college)*
5. Banks often loan people's savings to businesses. How does this help the economy? *(Businesses use the money to expand by purchasing capital equipment or hiring workers. Businesses must pay the bank interest on borrowed money.)*

Other Activities and Questions for Your Students

1. Discuss interest. Explain that banks try to earn a profit by loaning people's savings to businesses and consumers. Explain compound interest. *(interest earned on one's savings and previous interest payments. One earns "interest on interest." This helps savings to grow more quickly.)* Use the "Interesting Interest Rates" worksheet to research different interest rates. *(Answers to questions: a. Rates are different, but don't vary too widely because banks must remain competitive. b. Banks make money on the spread between savings rates and rates on loans. c. One reason is that used cars have less collateral value. Newer cars are easier to sell if the bank has to repossess them for loan non-payment.)*
2. List and define these words: interest, certificate of deposit, loan, collateral, secured loan, mortgage, APR, profit, bond, checking account, ATM, credit card.
3. Complete the "Interest"ing Math Problems!" Worksheet. *(Answers: 1. \$10*
2. $\$102 + \$103 = \$205$ 3. \$1 4.a. $5/100 = 1/20$ b. $35/100 = 7/20$ c. $75/100 = ?$ d.
 $80/100 = 4/5$ e. $95/100 = 19/20$ f. $125/100 = 5/4 = 1\ 1/4$) 5. \$128 6. \$30, \$50 7.
Answers will vary. The savings account is less risky, but earns less interest. The bond is more risky, but has a higher interest rate.)
4. Learn banking basics at www.kidsbank.com.

Literature Connection: See Appendix A for children's literature lessons.

Pint-Size Economics

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