

FDIC



## FDIC Financial Education Curriculum



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## Getting Started



Use this guide to help you teach this module in an informative, engaging, and effective manner.

You can customize the information in *Money Smart* to meet the needs of your audience. The layering table on page 4 can help you choose the most relevant module sections. However, it is usually a good idea to include:

- **Introductions.** Allows you to “break the ice,” create active instructor-participant dialogue, and set the tone for the session.
- **Agenda and Ground Rules.** Helps participants understand the subject matter and how the class will be conducted.
- **Expectations.** Gives participants the opportunity to tell you what they expect and want to learn from the module.
- **Objectives.** Helps participants place the information to be learned in the proper context and ensures that the content is consistent with their expectations.
- **Explanation of Participant’s Guide Format and Contents.** Serves to keep participants on track with the instructor.
- **What Do You Know? Form and/or Pre-Test.** Helps you and participants determine what they already know or do not know so you can customize the presentation accordingly.
- **Module Content and Activities.** Helps participants to reinforce learning.
- **What Do You Know? Form and/or Post-Test.** Helps you and participants gauge how well they learned the content, what content to review, if any, and what additional materials participants may want to review on their own.

## Module 5: Pay Yourself First Layering Table

Please read the Layering Table Instructions in the [Guide to Presenting Money Smart for Adults](#).

Pages	Time (Min.)	Topic	Subtopic & Activities	Target Audiences
7-8	5	Checking In	<ul style="list-style-type: none"> <li>Introduction of instructor and the materials</li> </ul>	<ul style="list-style-type: none"> <li>Everyone</li> </ul>
9-10, 40	5	Pre-Test and/or What Do You Know?		<ul style="list-style-type: none"> <li>Everyone</li> </ul>
11	5	Overview of Saving	<ul style="list-style-type: none"> <li>Meaning and benefits of “pay yourself first”</li> <li>Activity 1: Pay Yourself First Worksheet</li> </ul>	<ul style="list-style-type: none"> <li>Anyone who currently saves or wants to save money</li> </ul>
12-14	10	Saving Tips	<ul style="list-style-type: none"> <li>Tips to saving money</li> <li>Activity 1: Pay Yourself First Worksheet</li> </ul>	<ul style="list-style-type: none"> <li>Anyone who currently saves or wants to save money</li> </ul>
15-19	10	How Your Money Can Grow	<ul style="list-style-type: none"> <li>Interest, compound interest, annual vs. daily compounding, daily savings, annual percentage yield (APY), Rule of 72</li> </ul>	<ul style="list-style-type: none"> <li>Anyone considering different savings products</li> </ul>
20-34	30-45	Saving Options	<ul style="list-style-type: none"> <li>Savings products, special accounts, Individual Development Account (IDA), Electronic Transfer Account (ETA), 529 College Savings Plan, investment products, savings bonds, other treasury securities, corporate bonds, stocks, mutual funds, retirement investments, how to choose the best investment</li> </ul>	<ul style="list-style-type: none"> <li>Anyone considering different savings or investment products</li> </ul>
35-36	15	How To Create a Savings Action Plan	<ul style="list-style-type: none"> <li>Decision factors</li> <li>Activity 2: Pay Yourself First Action Plan</li> </ul>	<ul style="list-style-type: none"> <li>Anyone who currently saves or wants to save money</li> </ul>
37	5	Wrap-Up		<ul style="list-style-type: none"> <li>Everyone</li> </ul>
38-40	5	Post-Test and/or What Do You Know?		<ul style="list-style-type: none"> <li>Everyone</li> </ul>
41-42	5	Evaluation		<ul style="list-style-type: none"> <li>Everyone</li> </ul>

## Icons Guide

The following icons may be used throughout the Instructor Guide to indicate activity type.



### **Presentation**

Present information or demonstrate an idea.



### **Review**

Refer participants to and summarize material provided in the Participant Guide.



### **Activity**

Guide participants through an activity to support their learning.



### **Assessment**

Direct participants to take a short test.



### **Discussion**

Facilitate a discussion about a topic as directed.



### **Ask a Question**

Present a problem or question for discussion.

# Module Overview

## Purpose

The *Pay Yourself First* module helps participants identify ways they can save money and introduces savings options that will help them reach their goals.

## Objectives

After completing this module, the participants will be able to:

- Explain why it is important to save
- Determine goals for saving money
- Identify savings options
- Determine which savings options will help them reach their savings goals
- Recognize which investment options are right for them
- List ways to save for retirement
- List ways to save for large expense goals, including: a child's college tuition, a car or home purchase, or a vacation

## Presentation Time

Each topic has an approximate completion time listed in the *Pay Yourself First* Layering Table. Use the suggested times to personalize the module based on your participants' needs and the given time period. Allow extra time for activities and questions if you are teaching a larger group.

## Materials and Equipment

The materials and equipment needed to present all of the *FDIC Money Smart Financial Education Curriculum* modules are listed in the *Guide to Presenting the Money Smart Program*. Review the guide thoroughly before presenting this module.

## Module Activities

- Activity 1: Pay Yourself First Worksheet
- Activity 2: Pay Yourself First Action Plan

## Instructor Notes

## Presentation

5 minutes

## Checking In

## Welcome

Welcome to the *Pay Yourself First* module! Saving money is an important part of building your financial future. This module will give you some tips to help you get started. It will also show you how your money can grow when you save and give you some important information about saving and investment products.

## Agenda and Ground Rules

We will discuss concepts, do group and individual activities, and have time for your questions. There will be at least one 10-minute break during the class.

If you have experience or knowledge in some aspect of the material, please share your ideas with the class. One of the best ways to learn is from each other. You might be aware of some method that has worked well for you or some pitfall to avoid. Your class contribution will enhance the learning experience. If something is not clear, please ask questions!



Slide 2

*Record participants' expectations, questions, and concerns on chart paper. If there is anything you will not teach, tell participants where the information can be obtained (e.g., another module, a website). Check off their responses at the end of the training to show that the lesson content met their expectations.*

## Introductions

Before we get started, I will share a little about myself and I would like to know a little bit about you.

*[Introduce yourself and share a little of your background and experience.]*

As you introduce yourself, state:

- Your expectations
- Questions and/or concerns about the training content



## Instructor Notes

## Presentation

## Objectives

After completing this module, you will be able to:

- Explain why it is important to save
- Determine goals for saving money
- Identify savings options
- Determine which savings options will help you reach your savings goals
- Recognize which investment options are right for you
- List ways to save for retirement
- List ways to save for large expense goals, including: a child's college tuition, a car or home purchase, or a vacation



Slide 3

## Participant Materials

Each of you has a copy of the *Pay Yourself First* Participant Guide. It contains:

- Information and activities to help you learn the material
- Tools and instructions to complete the activities
- Checklists and tip sheets
- A glossary of the terms used in this module



Review Participant Guide contents and organization with participants.

What questions do you have about the module overview?

## What Do You Know?

Before we begin, let us see what you know about saving money.

**[If using the What Do You Know? form]**

The What Do You Know? form on page 26 of your Participant Guide lets you measure how much you know before the training and how much you learned after the training. Please take a few minutes now to complete the “Before the Training” column. Which statements did you answer with “disagree” or “strongly disagree”? *[Note: If time is limited, make sure you cover these content areas.]* We will complete the second column when we finish the training.

**[If using the Pre-Test]**

Take a few minutes to complete the Pre-Test on pages 4 and 5 of your Participant Guide. Which questions were you unsure of or unable to answer?

*[Note: If time is limited, make sure you cover these content areas.]*

As we progress through the module and cover the related material, you will be able to determine whether you answered each question correctly.



Slide 4

Use the What Do You Know? form and/or the Pre-Test to gauge participants' prior knowledge of the content and customize your presentation, focusing on content with which they are least familiar.



## Pre-Test

Test your knowledge about saving money before you go through the course.

1. Select all that apply. *Paying yourself first* means:
  - a. **Putting some of your income into a savings account before paying bills**
  - b. Buying personal items before paying bills
  - c. Putting money in a savings account if there is any left after paying bills
  - d. **Putting tax refunds or cash gifts in a savings account before spending the money**
  
2. Saving is important so that you can:
  - a. Have money for emergencies
  - b. Achieve your financial goals
  - c. Manage your money better
  - d. Improve your standard of living
  - e. a and b
  - f. **All of the above**
  
3. Which of the following are ways you can save for retirement? Select all that apply.
  - a. Build home equity, then apply for a home equity loan
  - b. **Invest in stocks, bonds, or mutual funds**
  - c. Establish a 529 Plan
  - d. **Enroll in a 401(k) or 403(b) plan**
  
4. Which of the following are good strategies to apply when selecting the savings or investment option that is best for you? Select all that apply.
  - a. Select one product to save/invest all your money
  - b. **Choose savings/investment products that match your risk tolerance**
  - c. Trust others to give you good investment advice
  - d. **Re-evaluate your savings/investments periodically**
  
5. What should you consider when establishing goals for saving money? Select all that apply.
  - a. The amount of money you want to save
  - b. Timeframe of when you need to access the money saved
  - c. Ways you can cut spending and save
  - d. The annual percentage yield (APY) of different savings products
  - e. **All of the above**

- 
6. Which of the following would be considered a *need* rather than a *want*? Select all that apply.
- a. **Paying rent/mortgage**
  - b. Buying new clothes on impulse
  - c. Eating out at restaurants regularly
  - d. Getting the maximum/largest plan for your cell phone/cable/etc.
7. Which of the following will help you save money? Select all that apply.
- a. **Pay your bills on time to avoid late fees/extra charges**
  - b. **Consider opening a checking account rather than using a check-cashing store**
  - c. Make impulse purchases
  - d. **Save your change at the end of each day**
8. *APY* means:
- a. The amount of interest you pay on a loan
  - b. **The annual interest rate you will earn on your savings or other deposit account**
  - c. The minimum percent of your income you must save each year to keep your savings account
  - d. To be careful you are getting the correct amount of interest on your savings account

## Instructor Notes

## Presentation

## 5 minutes

**Pay Yourself First**

- What does it mean to “pay yourself first”?
  - Put money in savings before paying your bills
- Why would you want to save money before paying your bills?
- What are some of the things you might want to save money for?

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Pay Yourself First

Slide 5

Acknowledge participants’ responses for the first question before clicking the space bar, right arrow, or mouse to reveal the answer and each additional question. Write participants’ responses to the last two questions on chart paper.

**Activity 1: Pay Yourself First Worksheet**

Complete Statement 1 of Activity 1 in the Participant Guide.

1. Think about savings goals and the amount you need to save.
2. Fill out the first part of the worksheet, “My savings goals.”

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Pay Yourself First

Slide 6

Refer participants to Activity 1: Pay Yourself First Worksheet on page 7 of their Participant Guide. Have participants write down their goals. Ask for volunteers to share their goals with the class. Be willing to share some of your goals with the class too.

## Overview of Saving

### The Meaning and Benefits of “Pay Yourself First”

What do you think it means to “pay yourself first”?

**Answer: Paying yourself first means that when you get a paycheck, tax refund, cash gift, or other money you should put some of that money in a savings account before you pay your bills.**

Why would you want to save money, or pay yourself first, before paying your bills?

**Answer: There are many reasons to pay yourself first. You can save money toward goals you have identified, improve your standard of living, learn to manage money better, and have money for emergencies.**

What are some of the things you might want to save money for?

**Answer: Some major expenses people save for include:**

- Unexpected events (e.g., loss of a job, car repair, or unexpected medical bills)
- Down payment for a house, a car, or other large purchase
- Education
- Retirement
- Vacation

### Activity 1: Pay Yourself First Worksheet

Now that we have looked at some reasons to save, let us apply some of those reasons to our own personal circumstances and look at the Pay Yourself First worksheet in your Participant Guide.

Take a few minutes to think about and write down any savings goals you have and the amount you need to save. Fill in the top half of the worksheet only (i.e., “My savings goals”).

Now let us talk about some ways to save for these goals.

## Instructor Notes

## Presentation

## 10 minutes



*Write participant responses on chart paper.*



*Refer participants to Savings Tips on page 8 of their Participant Guide. Cover those not addressed by participants. Emphasize that tips 5–7 represent more ways to pay yourself first.*

## Savings Tips

## What You Can Do To Start Saving

Many people spend all of the money they make. However, saving money is important.

You may believe you do not have enough money to start saving. Yet, what are some things you can do to start saving money?

Those are great ideas. Let us look at some more.

## Savings Tips

1. Consider needs versus wants. Think about the items you purchase on a regular basis. These add up. Where can you save?
  - Do you eat out at restaurants a lot?
  - Can you cut back on daily expenses (e.g., coffee, candy, soda, or cigarettes)?
  - Do you have services you do not really need (e.g., cable television)?
2. Use direct deposit or automatic transfer to savings.
  - When you get paid, put a portion in savings through direct deposit or automatic transfer.
  - If you have a checking account, you may sign up to have money moved into your savings account every month. What you do not see you do not miss!
  - You may purchase U.S. Savings Bonds through payroll deduction.
3. Pay your bills on time. This saves the added expense of:
  - Late fees
  - Extra finance charges
  - Disconnection fees for utilities (e.g., phone or electricity)
  - Fees to reestablish connection if your service is disconnected
  - The cost of eviction
  - Repossession
4. Consider opening a checking account at a bank or credit union instead of using check-cashing stores.
  - You might pay 2 percent or more of each check you cash. Two percent of a \$500 check is \$10. This can easily add up to several hundred dollars in fees every year.
  - If you would like more information about checking accounts, you

## Instructor Notes

## Presentation

can take the *Check It Out* module.

5. Put some money into a savings account if you get a raise or bonus from your employer.
6. Keep making the monthly payments to yourself once you have paid off a loan. You can save or invest the money for your future goals.
7. Save at least part of any cash gift you receive.
8. Avoid debt that does not help build long-term financial security, including: loans for a vacation, clothing, and dinners out in restaurants. Examples of debt that helps build long-term financial security include:
  - Paying for college education (for you or your child)
  - Buying or remodeling a house
  - Buying a car for work transportation
9. Pay off high-interest credit cards or other loans as soon as you can.
10. Save your change at the end of the day and deposit it weekly or monthly.
11. Save as much of your tax refund as possible. Choose to receive your tax refund via direct deposit. You can split it between a maximum of three different accounts (e.g. checking and/or savings accounts). You can also choose to use part of your refund to purchase a U.S. Savings Bond.
12. Join a retirement plan (i.e., a 401(k) or 403(b) plan) if your employer offers one and deducts the money from your paycheck! Most employers will match up to \$.50 of each dollar you contribute. The matched amount is free money!
13. Do your homework if you decide to purchase investments. Know what you are investing in and get professional advice if you need it. You should have at least two to six months of emergency cash savings before you begin investing in investment products that are not federally insured.
14. Reinvest the dividends of any stocks you own to purchase more stocks. Some companies offer an easy way to do this called a Dividend Reinvestment Program (DRIP). This process grows your investment faster, similar to compounding.
15. Join an investment club if you are interested in learning about investing. Investment clubs are groups of people who work together to understand the process and value of investing even small amounts of money (as little as \$5 to \$10).



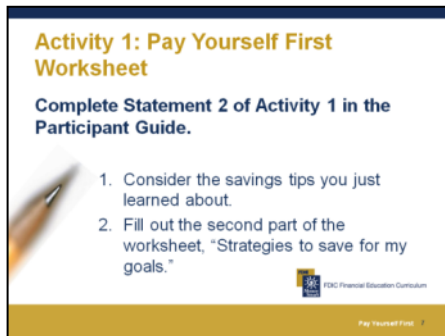
*Answer any questions.*

What questions do you have about these saving tips and strategies?

You now have some ideas of how to save, many of which you can probably use right now.

## Instructor Notes

## Presentation

**Activity 1: Pay Yourself First Worksheet***Slide 7*

*Refer participants to Activity 1: Pay Yourself First Worksheet on page 7 of their Participant Guide. Have participants write down ways they can save for their goals. Then ask for volunteers to share how they plan to save for their goals. You may want to provide an example or share one of your goals/strategies for saving.*

Let us go back to the Pay Yourself First worksheet and fill in the second half (i.e., “Strategies to save for my goals”).

Write down some specific ways to save for the goals you have already identified, using the tips and strategies we have just discussed.

We have talked about why it is important to save and identified some tips for saving money.

Now let us look at one benefit of saving money—how your money can grow.

## Instructor Notes

## Presentation

10 minutes

## How Your Money Can Grow

## What You Can Do

Making regular payments to yourself, even in small amounts, can add up over time. The amount your money grows depends on the interest earned and the amount of time you leave it in the account.

## Interest

*Interest is:*

- An amount of money banks or other financial institutions pay you for keeping money on deposit with them
- Expressed as a percentage
- Calculated based on the amount of money in your account

If you have \$1,000 stashed away under your mattress for a year, it will still be \$1,000 at the end of the year, provided that it has not been lost or stolen.

- Your mattress is not paying you interest.
- However, if you maintain a balance of \$1,000 in a savings account for one year and the bank pays .5 percent interest on the saving account, you will have \$1,005 ( $\$1,000 + \$5$  interest) at the end of the year.

Now let us talk about the power of compounding interest.

## Compound Interest

*Compounding* is how your money can grow when you keep it in a financial institution that pays interest.

- When the bank compounds the interest in your account, you earn money on the previously paid interest, in addition to the money in your account.
- Not all savings accounts are created equal. This is because interest can be compounded daily, monthly, or annually.

Let us look at several charts that will help you understand how compound interest works.



Slide 8

*Explain what interest is. Give an example of how money does not grow.*



Slide 9

*Explain what compounding is.*



**Instructor Notes**

**Presentation**

**Annual Versus Daily Compounding**



*Refer participants to the Annual vs. Daily Compounding chart on page 9 of their Participant Guide.*

The first chart we are going to look at is the Annual versus Daily Compounding chart.

- \$1,000 compounded annually at 1 percent earns you \$10 in interest at the end of the year. Interest is calculated once, at the end of the year. This gives you more money than if you had kept it under your mattress.

Annual Compounding	Daily Compounding
<ul style="list-style-type: none"> <li>• Start with \$1,000 at 1% compounded annually.</li> <li>• At the end of the first day, you still have \$1,000.</li> <li>• At the end of the year, you have \$1,010.00 – \$10, or 1% of \$1,000 is added to the original deposit.</li> </ul>	<ul style="list-style-type: none"> <li>• Start with \$1,000 at 1% compounded daily.</li> <li>• At the end of the first day, you have \$1,000.03.</li> <li>• On the second day, add the interest earned, \$.03, and compound the total amount – \$1,000.03...</li> <li>• At the end of the year, you have \$1,010.05 from compounding each day’s interest rate added to \$1,000.</li> </ul>
<b>Total: \$1,010.00</b>	<b>Total: \$1,010.05</b>

**Compounding Interest Over Time**



*Refer participants to the Compounding Interest Over Time chart on page 10 of their Participant Guide. Describe how interest adds up based on how often it is compounded and how long it stays in the account.*

The more frequently interest compounds, the faster it grows.

- If you deposit \$1,000 in an account that has daily compounding, at the end of the day you would have \$1,000.03.
- The next day, the interest would be calculated based on the amount of your original deposit PLUS the previously earned interest – \$1,000.03, rather than just \$1,000.
- By the end of the year, you will have \$1,010.05. The extra \$.05 does not seem like much, but the second chart shows how it can add up over time.

	5 years	10 years
Mattress compounding—NO interest!	\$1,000 (unless stolen or lost)	\$1,000 (unless stolen or lost)

## Instructor Notes

## Presentation

Annual compounding at 1%	\$1,051.01	\$1,104.62
Monthly compounding at 1%	\$1,051.25	\$1,105.12
Daily compounding at 1%	\$1,051.27	\$1,105.17

As you can see, three cents adds up over time when compounded daily!

## Daily Savings

However, you do not need \$1,000 to see the power of compounding. The next charts show that even small amounts of savings add up.



*Refer participants to the Daily Savings charts, on page 10 of their Participant Guide.*

Saving 50 cents a day:

	No interest	2% Daily Compounding
<b>Year 1</b>	\$182	\$184
<b>Year 5</b>	\$912	\$957
<b>Year 10</b>	\$1,820	\$2,014
<b>Year 30</b>	\$5,460	\$7,480

Saving \$1 a day:

	No interest	2% Daily Compounding
<b>Year 1</b>	\$365	\$368
<b>Year 5</b>	\$1,825	\$1,914
<b>Year 10</b>	\$3,650	\$4,029
<b>Year 30</b>	\$10,950	\$14,960

Look at what happens when you save \$.50 or \$1 a day at 2 percent interest that compounds daily. At the end of one year, you only make an extra \$2 or \$3 in compound interest. However, the real power of compounding shows at the end of 30 years when you earn an extra \$2,020 (\$7,480-\$5,460) or

## Instructor Notes

## Presentation

\$4,010 (\$14,960-\$10,950)!

The next chart shows what happens to your money when you save \$5 a day at 2 percent interest that compounds daily.

Saving \$5 a day:

	No interest	2% Daily Compounding
<b>Year 1</b>	\$1,825	\$1,838
<b>Year 5</b>	\$9,125	\$9,569
<b>Year 10</b>	\$18,250	\$20,144
<b>Year 30</b>	\$54,750	\$74,798

The chart shows a difference of only \$18 (\$1,838-\$1,825) at the end of the first year. However, compounding daily after 30 years will give you an extra \$20,048 (\$74,798-\$54,750)!



Answer any questions.

Check with your bank to get exact interest rates and how they are compounded. We will talk about other savings options later in the module.

What questions do you have about compound interest?

## Annual Percentage Yield (APY)

Another important concept you need to know about is *APY*. It reflects the amount of interest you will earn on a yearly basis and is expressed as a percentage.

- The APY includes the effect of compounding.
- The more often your money compounds, the higher the APY and the more interest you will receive.
- When comparing different accounts, you should compare the APYs of the savings products, not the interest rates.
- Please note that the interest you earn is considered income, and you may have to pay taxes on it.

Make sure you ask the bank's customer service representative for the Truth in Savings disclosures.

- These disclosures list the APY and other important information that

**Annual Percentage Yield (APY)**

**APY:**

- Is the amount of interest you will earn on a yearly basis expressed as a percentage
- Includes the effect of compounding
- Should be used to compare saving products, not the interest rate

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Pay Yourself First

Slide 10

Explain APY.

## Instructor Notes

## Presentation

you should know about the accounts. You can use these to comparison-shop and help you find the best deal.

There is another important concept that you should know about when it comes to how your money can grow. It is called the Rule of 72.

## Rule of 72

The *Rule of 72* is a formula that lets you estimate how long it will take for your savings to double in value. This calculation assumes that the interest rate remains the same over time.

Here is how you calculate it:

- Divide 72 by the current interest rate to estimate the number of years that it will take to double your initial savings amount.
- For example, if you invest \$50 in a savings account at a 4 percent interest rate, it will take about 18 years for your initial savings of \$50 to double.
  - $72 \text{ divided by } 4 \text{ percent} = 18 \text{ years}$

You can also estimate the interest rate you would need to earn to double your money within a set number of years. Here is an example of how this works.

- If you put \$500 in an account that you want to double in 12 years, you will need an interest rate of 6 percent.
  - $72 \text{ divided by } 12 = 6 \text{ percent}$

Let us see if you can figure out the interest rate of a savings account.

If you want your savings account to double in value in 20 years, what interest rate would the account need to have?

**Answer:  $72 \text{ divided by } 20 = 3.6 \text{ percent}$ .**

What questions do you have about the Rule of 72?

Now that you know about the benefits of saving and how money can grow, let us look at the different types of savings and investment options available.

**Rule of 72**

**A formula that lets you estimate:**

- How long it will take for your savings to double in value:  $72 \div 4\% = 18 \text{ years}$
- The interest rate needed to double your savings within a set time period:  $72 \div 12 = 6\%$
- **If you want your savings account to double in value in 20 years, what interest rate would the account need to have?**
  - $72 \div 20 = 3.6\%$

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### Slide 11

*Explain the Rule of 72 and share the examples. Ask participants to provide the formula before clicking the space bar, right arrow, or mouse to reveal it. Have participants provide the answer and/or click again to reveal the answer.*



*Answer any questions. Then introduce the next topic. Note: Now may be a good time to take a short break if you have not done so already.*

## Instructor Notes

## Presentation

## 30-45 Minutes

**Saving Options**

- There are two basic ways to save money:
  1. Open a savings account
    - Federally insured by the Federal Deposit Insurance Corporation (FDIC)
    - [www.myfdicinsurance.gov](http://www.myfdicinsurance.gov)
  2. Invest your money
    - Not federally insured and can lose value

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Slide 12

Identify the two basic ways to save money.



Refer participants to Saving Options on page 12 of their Participant Guide.

## Saving Options

## Open a Savings Account

There are two basic ways to save money:

- Open a savings account
- Invest

An important difference between the two is that savings accounts are federally insured and investments are not.

With a savings account:

- You make money by earning interest.
- The bank pays you for the opportunity to use your money.
- Your money is safe, and you have easy access to it.

The Federal Deposit Insurance Corporation (FDIC) insures your money in insured financial institutions up to the maximum allowed by law. The National Credit Union Administration (NCUA) insures your money at insured credit unions.

- This means that if your financial institution goes out of business and cannot pay you your money, the FDIC or NCUA will make sure that you receive it up to the insurance limit.

The FDIC has an online tool called **Electronic Deposit Insurance Estimator (EDIE)**. It lets you calculate the insurance coverage of your accounts at each FDIC-insured institution. You can find EDIE online at [www.myfdicinsurance.gov](http://www.myfdicinsurance.gov).

Let us look at three savings products available at most banks: money market account, certificate of deposit (CD), and statement savings account.

## Savings Products

You may be familiar with some of these, but let us see if you can match the name of the account with its description.

**Name the Savings Product**

Money Market Account  
Certificate of Deposit  
Statement Savings Account

Choose one

1. An account in which you:

- Leave your money for a set period of time/term
- Cannot make deposits or withdrawals
- Get a higher interest rate with longer terms
- Pay a fee if you withdraw your money before the term has ended

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1. This is an account in which you leave your money for a set period of time (e.g., six months or one, two, or five years). This period of time is called a term. You cannot make deposits or withdrawals during this term. You usually earn a higher rate of interest than with a regular savings account. The longer you promise to keep your

## Instructor Notes

**Name the Savings Product**

Choose one

Money Market Account  
Certificate of Deposit  
Statement Savings Account

**An account that:**

- Pays interest on your balance
- May require you to maintain a minimum daily balance
- Requires a lower minimum deposit to open this type of account

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Pay Yourself First

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**Name the Savings Product**

Choose one

Money Market Account  
Certificate of Deposit  
Statement Savings Account

**3. An account that:**

- Pays interest on your balance
- May require you to maintain a minimum daily balance
- Requires a lower minimum deposit to open this type of account

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Pay Yourself First

Slides 13-15

Click the space bar, right arrow, or mouse to reveal the correct answer and progress to the next description.

Answer any questions before introducing the next topic.

*Note: If you choose not to read/share all of the information about these accounts, share the major features of each and encourage participants to read the rest of the information in their Participant Guide after class.*

## Presentation

money in the account, the higher the interest rate. You will have to pay a fee if you withdraw your money before the term has ended.

**Answer: Certificate of Deposit (CD)**

2. This account usually pays a higher rate of interest, and it usually requires a higher minimum balance to earn interest than a regular savings account does. This account pays a higher rate of interest for higher balances. It does not have a fixed term. You can make deposits and withdrawals.

**Answer: Money Market Account**

3. This account pays interest on your balance. You may be required to maintain a minimum daily balance. A lower minimum deposit is usually required to open this type of account.

**Answer: Statement Savings Account**

With these savings products, you will likely receive periodic statements from your financial institution. Remember to always check your bank records and statements to be sure they are accurate.

What questions do you have about these savings products?

You should also know about some special accounts that financial institutions offer.

## Special Accounts

There are three special accounts that will also help you save money:

- The Individual Development Account (IDA), which is usually available through non-profits rather than banks
- The Electronic Transfer Account (ETA)
- The 529 College Savings Plan

## Instructor Notes

## Presentation

## Individual Development Account (IDA)

**Individual Development Account (IDA)**

- **Matched savings accounts**
  - Helps low-income families save money and become financially independent
- **Uses:**
  - Job training
  - College education
  - Small business start-up
  - Home down payment



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IDAs are matched savings accounts.

- When an account is matched, it means another organization (e.g., a foundation, corporation, or government entity) agrees to add money to your account to match the money you deposit and save.
- Organizations will sometimes match the money people save in IDAs to encourage low-income families to save money on a regular basis.
- IDAs are based on the concept that asset building is necessary to break the cycle of poverty, and to help families become financially independent.
  - *Asset building* refers to people purchasing or holding items that will help them financially in the future.
- Organizations involved in IDA programs want to help low-income families become self sufficient.

### How can I use IDAs?

If you open an IDA, the money must be used for a specific purpose.

Allowable purposes include:

- Job training
- College education
- Small business start-up
- Home purchase

There are a few programs that allow you to save for other purposes.

However, most programs will only offer accounts for the purposes listed above, because they are likely to increase your future financial security.

### How do IDAs work?

Each IDA program is a little different, so you must ask the person who runs the program in your area about the details. However, all IDA programs have many similar features.

- IDA programs are generally run by local community-based organizations.
- They help to recruit eligible people into the program and usually organize the required training sessions for the participants.
- Most IDA programs require that the participants take a certain number of financial education courses.
- Your reward is the education you receive and the money that is added to your account at the end of the program.



## Instructor Notes

## Presentation

**How can I open an IDA?**

IDA programs may not be available in every community. If you are interested, you can:

- Check the following website to search for programs by state: [www.idanetwork.org](http://www.idanetwork.org).
- Ask local Community Action Agencies, other community groups, and bankers if they know of any programs in the area.

**Electronic Transfer Account (ETA)**

An *ETA* is a low-cost account that provides federal payment recipients with the opportunity to receive their federal payments through direct deposit.

- The ETA is offered only through federally insured banks, thrifts, and credit unions.

**Who is qualified to open an ETA?**

Anyone who receives any of the following federal payments can take advantage of an ETA:

- Social Security
- Supplemental Security Income (SSI)
- Veterans' benefits
- Federal employee salary or retirement
- Railroad retirement payments

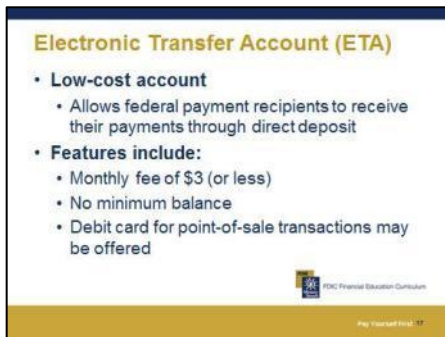
**How does an ETA work?**

The ETA is a voluntary program for both the consumer and the financial institution. Banks, thrifts, and credit unions that partner with the U.S.

Treasury to provide the ETA offer an account that features:

- A monthly fee of \$3 or less
- At least four cash withdrawals and four balance inquiries per month at no additional charge
- No minimum balance, except as required by state law
- Debit cards are offered by many institutions
- Monthly statements
- The same consumer protections as other account holders

Some banks may offer more or better services for their ETA program. For example, you might have the option of depositing other types of payments into the ETA account. Some institutions may also pay interest.



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## Presentation

**How can I open an ETA?**

Find participating financial institutions in your area by accessing the website [www.eta-find.gov](http://www.eta-find.gov) or calling **1-888-382-3311**. Participating banks and credit unions must open an account for you, regardless of your credit history, unless you have previously held an ETA that was closed because of fraud.

**529 College Savings Plans****Why is it important to save for college?**

According to U.S. Census Bureau statistics, people with a college degree can earn over 60 percent more on average than those with only a high school diploma. Over a lifetime, that is a more than \$1 million gap in earning potential. It is wise to consider getting an education beyond high school.

**What is a 529 Plan?**

A *529 Plan* is an education savings plan operated by a state or educational institution. It is designed to help families set aside funds to pay for future college costs. There are two kinds of plans: prepaid tuition and savings. Every state offers at least one kind of 529 Plan.

- **529 Prepaid Tuition Plan:** Pre-paid tuition plans allow savers to purchase units of college education at participating colleges and universities for future tuition expenses. Some higher education institutions also offer their own 529 prepaid programs that allow you to target your tuition prepayment to the sponsoring institution or group of institutions. Be sure to understand at what universities the tuition can be used. For state plans, know whether the value of the plan can be used at a private university or state university outside of that state. You may not get the full value of your prepaid account if used at a private or out-of-state school. Check with your local plan administrator for details.
- **529 Savings Plan:** An account holder may choose to invest contributions in several investment options (e.g., stocks, bonds, or mutual funds), which the college savings plan invests on behalf of the account holder. The full value of the account can be used at an accredited college or university in the United States and at some foreign institutions. See the plan administrator for a current list. Some institutions also offer prepaid savings plans. Investments in college savings plans that invest in mutual funds are not guaranteed by state governments and are not federally insured. Some states are now offering 529 college savings plan options that are FDIC insured. Carefully consider the plan's investment objectives, risks,



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charges, and expenses before investing any money.

### What are the advantages of 529 Plans?

- Investments grow tax deferred, and distributions are not subject to federal tax, and often state tax, if they are for eligible college costs of the beneficiary.
- Plan assets are professionally managed either by the state's treasury office or by an outside investment firm hired as the program manager.
- Everyone is eligible; there are no income limitations or age restrictions.

### What are some other ways to save for college?

1. Buy U.S. Savings Bonds to save for college. This is easy through automatic payroll deductions, and earnings may be tax-exempt if qualified.
2. Consider studying in-state and commuting to college from home to lower tuition, room, and board costs.



Answer any questions. Then introduce the next topic.

What questions do you have about these special accounts?

Now, let us look at options to help you reach your long-term savings goals.

## Buy an Investment

An *investment* is a long-term savings option that you purchase for future income or financial benefit.

- Many banks now sell investment products (e.g., mutual funds).
- While some investment products are sold at banks, they are not the same as deposit accounts because the money you invest is not federally insured.
- When you invest money, there is also a greater risk of losing it than if you put your money in a savings or other deposit account. In fact, you might lose the entire amount you invest if the investment does not perform well.
- On the other hand, your investment may earn and grow more than a regular savings account because of the risk you take when you invest your money.
- In general, the higher the risk, the higher the expected rate of return on the investment.
- You make money on investments by selling them for more than you

**Buy an Investment**

- **Investment:** a long-term savings option for future income or financial benefit
  - Investment products are not federally insured.
  - You must weigh the risks and returns.
  - You earn money by:
    - Selling the investments for more than you paid
    - Receiving dividends and interest earnings

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Explain what an investment is and how it differs from a deposit account.

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paid for them, or by earning dividends and interest. The money you earn is considered income, and you may have to pay taxes on it.

## Before You Invest

In case of an emergency, sudden illness, or job loss, you always want to be able to support yourself and your family.

- Therefore, most financial advisors recommend that, before you do any investing, you should have a savings cushion that will allow you to pay bills and expenses for six months.
- While you might find this cushion hard to attain, even a small rainy day fund is important.
- Any money you have saved beyond this savings cushion can be used for investing.



Slide 20

Identify considerations before you invest. Explain the importance of having a savings cushion before investing.

If you are interested in learning more about investment products:

- Talk to your bank, a reputable financial advisor, or an investment firm.
- Ask your employer about any retirement accounts that are offered through your work.
- Do your own research. A public library or the Internet is a good place to start.

## Investment Products

Now let us look at some of the more popular types of investment products that you can buy:

- Bonds
- Mutual funds
- Retirement investments
- Stocks
- U.S. Treasury securities



Slide 21

Identify the investment products.

You may be familiar with some of these investment products. Before we discuss them in detail, try to match the name of the account with its description.

1. When you buy this investment product, you are loaning money to a corporation or to the government for a certain period of time, called a *term*.

**Answer: Bonds**

## Instructor Notes

## Presentation

**Name the Investment Product**

Bonds Mutual funds Retirement investments  
Stocks U.S. Treasury securities

Choose one

1. When you loan money to a corporation or the government for a certain period of time/term.
2. When you own a share/part of a company. You might receive periodic dividends when the company makes a profit.

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Pay Yourself First

**Name the Investment Product**

Bonds Mutual funds Retirement investments  
Stocks U.S. Treasury securities

Choose one

3. When you loan money to the government. You can select from products based on their face value and maturity date.
4. When you invest money over a long period of time so that you will have money to live on when you are no longer working.

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**Name the Investment Product**

Bonds Mutual funds Retirement investments  
Stocks U.S. Treasury securities

Choose one

5. A product that allows you to invest in many investors and investment products.

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Have participants match the investment products with the appropriate description. Click the space bar, right arrow, or mouse to reveal the correct answer for each and progress to the next description.

2. When you buy this product, you own a part of a company, called a *share*. If the company does well, you might receive periodic dividends. *Dividends* are part of a company's profits that it gives back to you, the shareholder.

**Answer: Stocks**

3. When you buy this product, you are loaning money to the government. You can select from several products based on their face value and maturity date.

**Answer: U.S. Treasury securities**

4. When you buy this product, you invest money over a long period of time so that you will have money to live on when you are no longer working.

**Answer: Retirement Investments**

5. When you buy this product, you invest in many investors and investment products.

**Answer: Mutual Funds**

As you learned earlier, these investment products have a risk of loss if the stock market or companies you invest in perform poorly. You must consider your tolerance for risk when choosing from these investment products.

- Stocks, mutual funds, and some retirement investments pose a greater risk than bonds and U.S. Treasury securities. However, they offer the potential for higher earnings (and therefore a higher amount in savings for you).
- Bonds and U.S. Treasury securities are less of a risk, but in turn, they typically offer a lower yield, or smaller earnings.

Let us look a little more closely at each of these investment products so that you know what they are and how to obtain additional information.

## Instructor Notes

## Presentation

## Savings Bonds



Slide 25

Describe the different savings bond options.

*I Bonds* are purchased at face value, which is the amount printed on the bond. In other words, a \$50 bond will cost \$50.

- I Bond interest is composed of a fixed rate plus an inflation rate, which may change every six months. Interest is added to the bond monthly and is paid when the bond is cashed.
- I Bonds must be held for one year before they can be cashed.
- If an I Bond is cashed within the first five years, there is a three-month interest penalty.

*EE Bonds* are normally purchased at half their face value, so a \$50 bond will cost \$25.

- If you buy EE bonds electronically via [www.TreasuryDirect.gov](http://www.TreasuryDirect.gov), they are sold at face value.
- All EE Bonds purchased after May 2005 earn a fixed rate of interest.
- EE Bonds must be held for at least one year before they can be cashed.
- If an EE Bond is cashed within the first five years, there is a three-month interest penalty.

## Other Treasury Securities



Slide 26

Describe the different treasury security options.

The Federal Government also offers some other investment products:

- *Treasury bills* or T-bills are sold at a discount from their face value and range in terms from a few days to six months. When a T-bill matures, you will be paid the face value. They pay interest every six months.
- *Treasury notes* or T-notes pay interest every six months and are issued in terms of two, three, five, and ten years.
- *Treasury Inflation-Protected Securities (TIPS)* provide protection against inflation, with an interest rate tied to the Consumer Price Index. TIPS pay interest twice a year.
- *Treasury bonds*, or T-bonds, pay interest every six months and range in terms from 10 to 30 years.

The minimum purchase price for these products is \$100. Buying U.S. Treasury securities and savings bonds is a safe investment because your money is backed by the U.S. Government. Savings bonds may be purchased through a payroll deduction, through your financial institution, and at [www.TreasuryDirect.gov](http://www.TreasuryDirect.gov).



## Instructor Notes

## Presentation

## Corporate Bonds

**Corporate Bonds**

- Loans to a corporation for a certain period of time/term
- The corporation promises to repay the amount of money you are lending it on a specified date.

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Pay Yourself First

Slide 27

Describe corporate bonds.

When you buy *corporate bonds*, you are lending money to a corporation for a certain period of time, called a *term*.

- The corporation promises to repay the amount of money you are lending it on this specified date in the future.
- In addition, it may promise to make regular interest payments to you.
- You may lose money if the corporation fails to honor its promises.

## Stocks

**Stocks**

- You:**
  - Own a share/part of a company
  - May receive dividends if the company profits
- The value of your investment changes (up or down) according to the stock market.



FDC Financial Education Curriculum

Pay Yourself First

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Describe stocks.

When you buy a *stock*, you own part of the company, called a *share*. A company that does well might periodically pay you dividends. Dividends are the portions of the company's profits that it gives to you as a shareholder.

The value of your investment changes according to the stock market. When you sell the stock, you may either earn or lose money.

## Mutual Funds

**Mutual Funds**

- A product that:**
  - Combines money from many investors
  - Includes stocks and bonds
  - May pay dividends
  - Changes in value with the stock market
- Diversify:** spread your risk of loss across many savings and investment options

FDC Financial Education Curriculum

Pay Yourself First

Slide 29

Describe mutual funds.

*Mutual funds* are offered by companies that combine money from many investors to purchase numerous separate investments.

- The investment products in a mutual fund are managed by a professional and typically include numerous stocks and bonds.
- By combining your money with the money of other investors, you can diversify even a small investment.

*Diversification* is the concept of “do not put all of your eggs in one basket.” Diversification reduces the risk that you will lose your money because you spread the risk of loss across many savings and investment options.

Like stocks, mutual funds may pay dividends, and they may also gain or lose money over time.



## Instructor Notes

## Presentation

## Retirement Investments

Several investment products are designed to help you save toward retirement:

- Individual retirement arrangements (IRAs)
- 401(k) and 403(b) plans
- Variable annuities

## IRAs

An *IRA*, also known as an *Individual Retirement Account*, is the most basic kind of retirement arrangement.

- With an IRA, you deposit money into an account, which may include a combination of stocks, bonds, mutual funds, or Treasury securities.
- These types of accounts are tax exempt and generally designed to help ensure adequate income for retirees.
- Though an IRA generally grows over time due to interest earned and your contributions, it may lose value depending on the stock market and your investment choices.
- You should talk to an experienced investment professional for help making the best investments for you.



Slide 30

Describe the types of IRAs.

There are two main types of IRAs: traditional IRAs and Roth IRAs. A *traditional IRA* is a personal savings plan that gives you tax advantages for saving for retirement.

- Contributions to a traditional IRA may be tax deductible, based on the amount of your contribution and your income.
- The earnings on the money in your IRA are not taxed until they are distributed (you withdraw them).
- A traditional IRA can be established at many different financial institutions, including: banks, insurance companies, and brokerage firms.

A *Roth IRA* is also a personal savings plan, but operates somewhat the reverse of a traditional IRA.

- For instance, contributions to a Roth IRA are not tax deductible, while contributions to a traditional IRA may be deductible on your annual income tax return.
- However, while distributions (including earnings) from a traditional IRA may be included in income, the distributions (including

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earnings) from a Roth IRA are *not* included in income.

- For both IRA types—traditional and Roth—earnings that remain in the account are not taxed.
- A Roth IRA can be established at the same types of financial institutions as a traditional IRA.

IRAs can be thought of as either bank IRAs or brokerage IRAs.

- Money deposited into an IRA at an insured financial institution (bank IRAs) is insured up to the maximum allowed by law.
- However, investments made in other IRAs (e.g., stocks or bonds obtained through brokerage IRAs) are not federally insured, may lose value, and are not guaranteed by a bank (even if they are sold through an entity affiliated with the bank).

Your employer may offer a *payroll deduction IRA*. These plans enable you to authorize a payroll deduction for contributions to an IRA (either a traditional or a Roth IRA)

You may talk to your tax advisor for more details and/or review IRS Publication 590, *Individual Retirement Arrangements (IRAs)*.

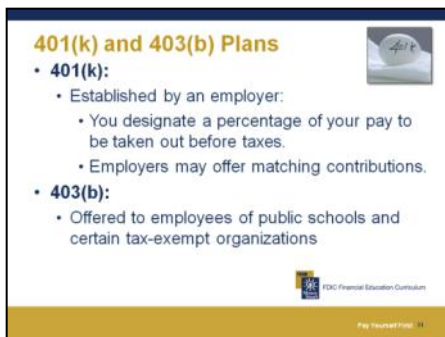
## 401(k) and 403(b) Plans

A *401(k)* plan is a retirement savings plan established by an employer that lets its employees set aside a percentage of their pay for retirement before taxes are taken out. This can help lower your tax bill.

A *403(b)* plan is a retirement savings plan for employees of public schools and certain tax-exempt organizations.

Characteristics of 401(k) and 403(b) plans include:

- A maximum contribution limit each year—you can invest up to a certain amount of your own money, not counting interest earned
- A penalty, or fee, on early withdrawal before age 59½, except in special circumstances
- Portability—you can move the money into an IRA (called *rolling over*), or roll it over into a new 401(k) plan if you change employers
- Choices—generally, you get to choose how to invest the money in your plan
- Your employer may match a certain percentage of the money you invest in the retirement plan; not taking advantage of this match is



Slide 31

Describe 401(k) and 403(b) plans.

## Instructor Notes

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like leaving free money on the table.

## Variable Annuities

A *variable annuity* is an insurance contract that invests your premium in various mutual fund-like investments. It is usually sold by financial brokers and insurance agents as an investment toward retirement. The brokers and agents earn a commission on the annuity sold, and may be motivated to sell you something that may not be the best for you financially.

Variable annuities can be very costly due to the fees, which may include:

- Annual fees
- Surrender charges on early withdrawal and withdrawal over a certain percentage
- Ten percent federal tax penalty on early withdrawal before age 59½
- Life or living benefits fees that you pay to guarantee you get at least your original investment back at retirement

Often, you must hold the annuity for at least 10 to 20 years to justify the fees.

What questions do you have about these investment products?

Now let us look at some investment issues you need to consider.

## How to Choose the Best Investment

Let us look at some strategies that will help you choose the best investment for you.

- Learn as much as you can about the investment from the prospectus, financial magazines, and the plan administrator.
- Remember that past performance is not a guarantee of future performance.
- Consider how long you plan to keep your money in the investment. If you invest over time, you are more able to ride out the ups and downs of the stock market.
- Diversify. You should have a mix of investment products that reflect your needs for return, safety, and long-term savings.
- Re-evaluate your investments from time to time. Your ideal composition of investment products will shift over time.
- Determine how much risk you are willing to tolerate. Remember, there is a trade-off between risk and return.

**Variable Annuities**

- An insurance contract that invests your premium in various mutual fund-like investments
- **Variable annuities can be very costly due to the fees, which include:**
  - High annual fees
  - Surrender charges on early withdrawals
  - Tax penalty on early withdrawal before age 59½
  - Life benefit guarantee fee

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*Explain what variable annuities are.*



*Answer any questions. Then introduce the next topic.*



*Refer participants to How To Choose the Best Investment beginning on page 18 of their Participant Guide.*

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Slide 33



Answer any questions. Then introduce the next topic.

Slide 34

Explain why owning a home or business is an investment. Click the space bar, right arrow, or mouse to display the home equity example.

Before investing for retirement:

- Ask your employer about retirement accounts offered through work.
- Learn more about investment options from your bank’s customer service representative or a reputable financial advisor.
  - Do not follow investment advice blindly. Do your own research.
  - Read the prospectus of an investment product or instrument carefully.
  - Get more information from reliable sources; for example:
    - **Internal Revenue Service:** [www.irs.gov](http://www.irs.gov)
    - [www.pueblo.gsa.gov/cic\\_text/money/401k/401k.htm](http://www.pueblo.gsa.gov/cic_text/money/401k/401k.htm)
  - Use the public library for more resources.
- Do not invest in anything you do not fully understand.

Remember, investments are NOT federally insured. You can lose the interest AND the principal of your investment.

What questions do you have about these investment issues?

### Other Investments

There are two more investment options: owning a home or business.

Why is owning a home considered an investment?

**Answer: Owning a home is an investment because the house generally increases or appreciates in value. When your home increases in value and your debt decreases as you pay the mortgage, your equity increases.**

Equity is the difference between how much the house is worth and how much you owe on the house. For example:

Value of home	= \$250,000
<u>Minus Debt (how much you owe)</u>	<u>= \$200,000</u>
Equity	= \$ 50,000

The *Money Smart* module *Your Own Home* discusses equity in greater detail.

Owning a business is also an investment. Although starting a business can be risky, if planned and managed correctly, it has the potential to increase your future financial security.

## Instructor Notes

## Presentation

These options may not be for everyone, and the decision to invest in a home or business needs to be made very carefully. For more information, start by contacting your local **Small Business Administration** district office for more information on training and counseling programs to help you learn how to start, grow, and succeed in business. Visit [www.sba.gov](http://www.sba.gov).

## Saving for Retirement

If you are planning to retire, you should think about how to ensure that your financial life is as comfortable and stress free as possible.

Here are a few tips:

- **Make the most of your remaining paychecks to save for retirement.** How much money you will need to set aside for retirement—which, for many people, could last 30 years or more—will depend on a variety of factors, including:
  - When do you expect to retire?
  - Will you continue to earn income from a part-time job?
  - How much money do you have in savings and pensions?
  - What expenses will you incur for housing and health care?
- **Try to reduce or eliminate debt.** Another way to save more money for a more enjoyable retirement is to cut back on unnecessary expenses, especially if you need to go into debt to pay for them. Pay off most or all of your credit card balances and other loans to save on interest charges and avoid being burdened with repayment during your retirement years.
- **Develop a plan to stretch your money through retirement.** The idea is to determine where your money will come from during retirement, so you will not have to live in fear of running out of money.



Slide 35



*Answer any questions. Then introduce the next topic.*

What questions do you have about the investments and strategies we have discussed today?

Let us look at how to select the right combination of savings and investment products for you.

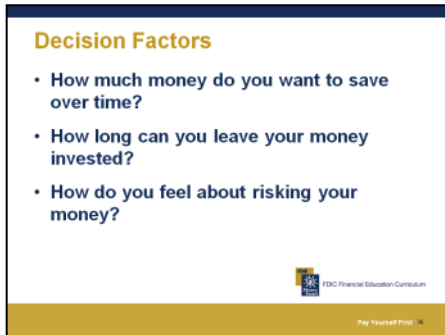
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## 15 Minutes

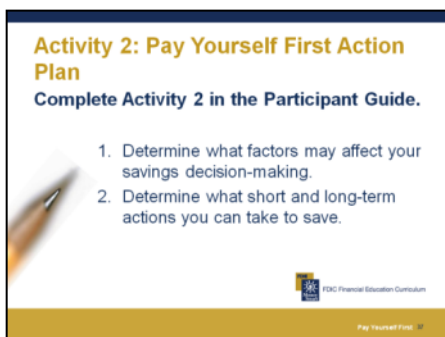


Refer participants to *How To Create a Savings Action Plan* on page 19 of their Participant Guide.



Slide 36

Describe the factors to be considered in selecting saving and investment options.



Slide 37

Refer participants to the *Activity 2: Pay Yourself First Action Plan* on page 20 of their Participant Guide. Give participants a few minutes to

## How to Create a Savings Action Plan

## Decision Factors

You need to consider three decision factors when selecting the best savings and investment options.

**1. How much money do you want to accumulate over a certain period of time?**

Once you determine the amount you want to accumulate, you might be able to use the Rule of 72 to determine the time and interest rate needed to double your savings. Remember, this formula only works with fixed interest rates.

**2. How long can you leave your money invested?**

If you have some money that you will not need for several years, you might consider investment options, including: stocks, bonds, or mutual funds. On the other hand, if you think you will need access to the money, it might be best to keep it in a savings account.

**3. How do you feel about risking your money?**

If you are not comfortable with risk and cannot afford to lose the money, consider depositing your money in an insured financial institution. You will need to shop around for an account that best meets your needs.

Now you are ready to develop an action plan you can follow to begin moving toward your savings goals.

## Activity 2: Pay Yourself First Action Plan

Take a look at the Pay Yourself First Action Plan. The top half of the plan gives you space to record factors that may affect the steps you take to save, and the savings or investment products you use to save.

The bottom half of the plan gives you space to record the actions you plan to take now, a month from now, and a year from now in order to reach your savings goals. For example: What can you do now to save?

- You might be able to cut back on the number of sodas you drink each day.
- Saving \$1 a day adds up to \$365 by the end of the year.

**Instructor Notes**

*complete the worksheet. Ask for volunteers to share one of their responses.*

**Presentation**

What can you do by the end of the month to save?

- Next month, you could pay off a loan and continue making those payments into your savings account.

What can you do by the end of the year to save?

- By the end of the year, you will probably have enough money to buy a U.S. Savings Bond as a long-term investment.

Take a few minutes to answer the following questions on the form.

**Decision Factors**

How much do I want to accumulate over a certain period of time?

How long can I leave my money invested?

How do I feel about risking my money?

**Action Plan**

What will I do now to save toward my goals?

What will I do by the end of the month to save toward my goals?

What will I do by the end of the year to save toward my goals?

What final questions do you have about paying yourself first?

Let us look at what you have learned today.



*Answer any final questions.*



## Instructor Notes

## Presentation

## 15 minutes

**Summary**

- What final questions do you have?
- What have you learned?
- How would you evaluate the training?

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Answer any final questions. Have participants complete the Post-Test and/or What Do You Know? form along with the evaluation form.

**Conclusion**

- **You learned:**
  - What it means to pay yourself first and how you can benefit by doing it
  - Tips to help you save more
  - How your money can grow with compound interest
  - A number of savings and investment options
  - How to decide what savings and investment options are best for you

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Review what was covered in the module and ensure participants' expectations, questions, and concerns have all been covered.

## Wrap-Up

## Summary and Post-Test

We have covered a lot of information today about how to save for the future. What final questions do you have?

Now let us see what you have learned by completing [a short Post-Test on pages 21 and 22 of your Participant Guide and/or the "After the Training" column of the What Do You Know? form that you completed earlier].

Who would like to share one thing they learned from this training?

To improve the training, we need your feedback. Please complete the Evaluation Form on pages 27 and 28 of your Participant Guide.

## Conclusion

Congratulations! You have completed the *Pay Yourself First* module. You learned about:

- What it means to pay yourself and how you can benefit by doing it
- Tips to help you save more
- How your money can grow with compound interest
- A number of saving and investment options
- How to decide what savings and investment options are best for you

You should now be able to take this information and begin saving in earnest. Great job on completing the *Pay Yourself First* module! Thank you for participating.

## Post-Test

Now that you have gone through the course, see what you have learned.

1. What are three benefits of paying yourself first?
  - a. Improving your standard of living
  - b. Learning to manage money better
  - c. Having money for emergencies
  - d. All of the above**
  
2. What is the major difference between saving and investing?
  - a. Most savings products are federally insured, while investment products are not**
  - b. Savings products have a risk of loss and investment products do not
  - c. Investment products do not have as high a potential for growth as savings products
  - d. Savings and investment products are the same
  
3. If you get a tax refund, what can you do to make sure you save some of the refund? Select all that apply.
  - a. Direct deposit some or all of the refund straight into your checking account
  - b. Deposit some or all of it into a savings account with a higher interest rate (e.g., a CD or money market account)**
  - c. Use the money to invest in a savings bond**
  
4. Which type of savings products, not including investment products, are available at most financial institutions? Select all that apply.
  - a. CDs**
  - b. Money market accounts**
  - c. U.S. Treasury Securities
  - d. Bonds
  
5. You can save money by paying your bills on time because you avoid paying:
  - a. Late fees
  - b. Extra finance charges
  - c. Disconnection and reconnection fees
  - d. Cost of eviction, repossession, and bill collections
  - e. All of the above**
  
6. Select all that apply. The Rule of 72 helps you determine (select all that apply):
  - a. How long it will take for your savings to double in value with a fixed interest rate**
  - b. The interest rate you need for your money to double within a set time period**
  - c. How long it will take for your savings to double in value with a variable or adjustable interest rate

- 
7. Which of the following strategies will help you choose the best investments for you? Select all that apply.
- a. Make choices based on a friend or family member's recommendations
  - b. Limit the number of savings and investment options you choose to reduce your risk of loss
  - c. Select savings and investment options according to your risk tolerance**
  - d. Consider how long you plan to keep your money in the investment**
8. Which of the following are ways you can save for college? Select all that apply.
- a. Build home equity, then apply for a home equity loan**
  - b. Invest in stocks, bonds, or mutual funds**
  - c. Establish a 529 Plan**
  - d. Enroll in a 401(k) or 403(b) plan

# What Do You Know? – Pay Yourself First

Instructor: \_\_\_\_\_ Date: \_\_\_\_\_

This form will allow you and the instructors to see what you know about saving money both before and after the training. Read each statement below. Please circle the number that shows how much you agree with each statement.

I can:	Before the Training				After the Training			
	Strongly Disagree	Disagree	Agree	Strongly Agree	Strongly Disagree	Disagree	Agree	Strongly Agree
1. Explain why it is important to save	1	2	3	4	1	2	3	4
2. Determine goals for saving money	1	2	3	4	1	2	3	4
3. Identify savings options	1	2	3	4	1	2	3	4
4. Determine which savings options will help me reach my savings goals	1	2	3	4	1	2	3	4
5. Recognize which investment options are right for me	1	2	3	4	1	2	3	4
6. List ways to save for retirement	1	2	3	4	1	2	3	4
7. List ways to save for large expense goals, including: a child’s college tuition, a car or home purchase, or a vacation	1	2	3	4	1	2	3	4

# Evaluation Form

This evaluation will enable you to assess your observations of the *Pay Yourself First* module. Please indicate the degree to which you agree with each statement by circling the appropriate number.

1. Overall, I felt the module was: <input type="checkbox"/> Excellent <input type="checkbox"/> Very Good <input type="checkbox"/> Good <input type="checkbox"/> Fair <input type="checkbox"/> Poor	<b>Strongly Disagree</b> <b>Disagree</b> <b>Neutral</b> <b>Agree</b> <b>Strongly Agree</b>				
2. I achieved the training objectives.	1	2	3	4	5
3. The instructions were clear and easy to follow.	1	2	3	4	5
4. The overheads were clear.	1	2	3	4	5
5. The overheads enhanced my learning.	1	2	3	4	5
6. The time allocation was correct for this module.	1	2	3	4	5
7. The module included sufficient examples and exercises so that I will be able to apply these new skills.	1	2	3	4	5
8. The instructor was knowledgeable and well-prepared.	1	2	3	4	5
9. The worksheets are valuable.	1	2	3	4	5
10. I will use the worksheets again.	1	2	3	4	5
11. The participants had ample opportunity to exchange experiences and ideas.	1	2	3	4	5
	<b>None</b>		<b>Advanced</b>		
12. My knowledge/skill level of the subject matter before taking the module.	1	2	3	4	5
13. My knowledge/skill level of the subject matter upon completion of the module.	1	2	3	4	5
14. Name of Instructor:   Instructor Rating: Please use the response scale and circle the appropriate number.	<b>Response Scale:</b> <b>5 Excellent</b> <b>4 Very Good</b> <b>3 Good</b> <b>2 Fair</b> <b>1 Poor</b>				
Objectives were clear & attainable	1	2	3	4	5
Made the subject understandable	1	2	3	4	5
Encouraged questions	1	2	3	4	5
Had technical knowledge	1	2	3	4	5

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What was the most useful part of the training?

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What was the least useful part of the training and how could it be improved?

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## Glossary

**401(k) Plan:** A retirement savings plan established by an employer in which employees set aside a percentage of pay in an account that earns interest.

**403(b) Plan:** A retirement savings plan similar to a 401(k), but exclusively for employees of public schools and certain tax-exempt organizations.

**529 College Savings Plan:** An education savings plan operated by a state or educational institution. It is designed to help families set aside funds to pay for future college costs.

**Annual Percentage Yield (APY):** The amount of interest you will earn on a yearly basis. It is expressed as a percentage.

**Bonds:** Loans to corporations or to the government for a certain period of time, called a *term*. You earn interest on your loan investment, and at the end of the term, your bond matures and can be repaid to you by the company.

**Certificate of Deposit (CD):** An account in which you leave your money for a set term (e.g., six months or one, two, or five years). You cannot make deposits or withdrawals to the account during this term.

**Compounding:** Interest paid on money that is invested, allowing the initial investment to increase over time.

**Corporate bonds:** Loans to corporations for a certain period of time, called a *term*.

**Diversification:** When you spread the risk of loss over a variety of savings and investment options.

**EE Bond:** EE is a type of bond that is normally purchased at half its face value and must be held for at least one year before being cashed.

**Electronic Transfer Account (ETA):** A low-cost savings account that provides federal payment recipients with the opportunity to receive their federal payments through direct deposit.

**Equity:** The difference between how much your house is worth and how much you owe on your mortgage.

**I Bond:** A type of bond purchased at face value, which is the amount printed on the bond and must be held for at least one year before being cashed.

**Individual Development Account (IDA):** A matched savings account in which another organization (e.g., a foundation, corporation, or government entity) agrees to add money to your account to match the money you save in it.

**Interest:** An amount of money banks or other financial institutions pay you for keeping money on deposit with them.

**Investment:** A long-term savings option that you purchase for future income or financial benefit.

**Money Market Account:** An account that usually pays a higher rate of interest, and it usually requires a higher minimum balance in order to earn interest than a regular savings account does. You can make deposits and withdrawals.

**Mutual Fund:** A professionally managed collection of money from a group of investors. A mutual fund manager invests your money in some combination of various stocks, bonds, and other products.

**Payroll Deduction Individual Retirement Arrangements (IRAs):** An employee establishes an IRA (traditional or Roth IRA) with a financial institution and authorizes a payroll deduction for the IRA.

**Retirement Investments:** Money you invest over a long period of time so that you will have money to live on when you are no longer working.

**Roth Individual Retirement Arrangements (IRAs):** Contributions to a Roth IRA are not tax deductible, while contributions to a traditional IRA may be deductible. The distributions (including earnings) from a Roth IRA are not included in income.

**Rule of 72:** A formula that lets you estimate how long it will take for your savings to double in value given a particular interest rate. This calculation assumes that the interest rate remains the same over time.

**Statement Savings Account:** An account that earns interest. You will usually receive a quarterly statement that lists all your transactions—withdrawals, deposits, fees, and interest earned.

**Stocks:** Parts of a company, called *shares*. If the company does well, you might receive periodic dividends based on the number of shares you own. Dividends are part of a company's profits that it gives back to you, the shareholder.

**Traditional Individual Retirement Arrangements (IRAs):** Contributions to a traditional IRA may be tax deductible, based on the amount of your contribution and your income. The earnings on the amounts in your IRA are not taxed until they are distributed.

**Treasury Inflation-Protected Securities (TIPS):** Provides protection against inflation, and the interest rate is tied to the Consumer Price Index.

**U.S. Savings Bond:** A long-term investment option backed by the full faith and credit of the U.S. Government. Savings bonds can be purchased at a financial institution for as little as \$25 or through payroll deductions.

**U.S. Treasury Securities:** Loans to the U.S. Government for a certain period of time, called a *term*. Treasury securities are backed by the full faith and credit of the U.S. Government and include Treasury bills (T-bills), notes (T-notes), and bonds (T-bonds).

**Variable Annuity:** An insurance contract that invests your premium in various mutual fund-like investments.



## For Further Information

### **Federal Deposit Insurance Corporation (FDIC)**

[www.fdic.gov/consumer](http://www.fdic.gov/consumer)

Division of Supervision & Consumer Protection

2345 Grand Boulevard, Suite 1200

Kansas City, Missouri 64108

1-877-ASK-FDIC (275-3342)

Email: [consumeralerts@fdic.gov](mailto:consumeralerts@fdic.gov)

Visit the FDIC's website for additional information and resources on consumer issues. For example, every issue of the quarterly *FDIC Consumer News* provides practical hints and guidance on how to become a smarter, safer user of financial services. Also, the FDIC's Consumer Response Center is responsible for:

- Investigating all types of consumer complaints about FDIC-supervised institutions
- Responding to consumer inquiries about consumer laws and regulations and banking practices

### **U.S. Financial Literacy and Education Commission**

[www.mymoney.gov](http://www.mymoney.gov)

1-888-My-Money (696-6639)

MyMoney.gov is the U.S. Government's website dedicated to teaching all Americans about financial education.

Whether you are planning to buy a home, balance your checkbook, or invest in your 401k, the resources on MyMoney.gov can help you. Throughout the site, you will find important information from federal agencies.

### **Federal Trade Commission**

[www.ftc.gov/credit](http://www.ftc.gov/credit)

1-877-FTC-HELP (382-4357)

The Federal Trade Commission (FTC) website offers practical information on a variety of consumer topics, including privacy, credit, and identity theft. The FTC also provides guidance and information on how to select a credit counselor.