

SAVING FOR EMERGENCIES

WHAT WE'VE LEARNED AND HOW WE CAN APPLY IT

March 4, 2021

Saving for the Unexpected

**EXPECT
THE
UNEXPECTED**

Save for
Emergencies.


**AMERICA
SAVES
WEEK**

Take the pledge at americasaves.org



—
Is a “rainy day fund”
the same as an
emergency fund?





Rainy Day Fund



Rainy Day Fund

A rainy day fund is intended to pay for a one-time, smaller expenditure. It helps you avoid going into debt by covering all those small inconveniences that always seem to pop up.

While a \$250 repair to your car may not seem like much, it can throw your entire budget out of whack or even put you into debt if you aren't prepared.

Emergency Savings

NOTICE OF EMPLOYEE TERMINATION

Date (mm/dd/yyyy) / /

Employee Information

Employee Name	Employee Number	Position	Termination Date	Manager



Emergency Savings

An emergency fund is intended to be your safety net in the event of a financial emergency. These emergencies include, but aren't limited to, job loss, or a major illness or injury.

If you have a single-income, health concerns, own a home, are self-employed, or are trying to stay out of debt, an emergency fund becomes even more pivotal important.

—
How many *unique*
examples of unplanned
expenses can we name
in one minute?



CATEGORIES TO CONSIDER



Teens



**Vehicle
or
Travel**



Health



Household

Teen Examples

- Shattered, broken, or stolen cell phone or other device
- Computer hard drive crash
- Unexpected equipment, training, or other costs for a sport or extracurricular activity
- Repair a broken instrument



Vehicle & Travel Examples



- Car gets towed
 - Flat tire
 - Minor car repairs
 - Traffic tickets
 - Replacement key fob for car
 - Calling a locksmith
 - New tires
 - Fender bender
-
- Travel for unexpected loss or funeral
 - Lost luggage

Health Examples

- Unexpected trip to the emergency room (copays)
- Emergency visit to the dentist
- Root canal
- Lost glasses
- Prescription costs

- Pets: Unexpected veterinarian visit



Household Examples



- Repairing or replacing items:
 - Air conditioning/heat
 - Water heater
 - Appliances (stove, oven, washer, dishwasher, microwave, fridge)
- Emergency plumber
- Replacing items before an insurance claim is paid
- Unexpected rent increase
- Tree falling on house
- Flooded basement
- Increase in utility bills
- Insurance policy increase

How Much Will it Cost?

- Select one expense from each category.
- Research the cost of each
- Share results with the class and discuss how much money a person might want to save to have a “healthy” rainy day fund.



3 Reasons Teens Need An Emergency Fund

especially if
you have a car!

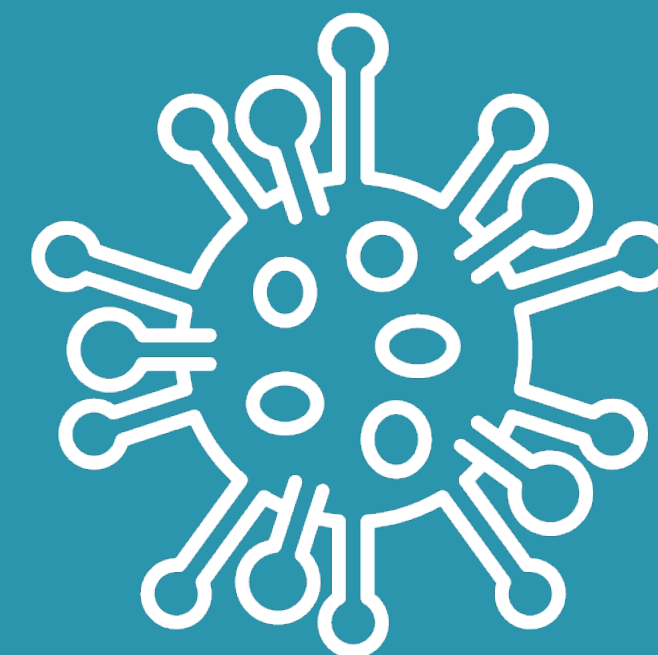
3 Reasons An Emergency Fund Is Critical For a Teen If You Have a Car

Read the blog post.

Answer these questions:

- Do you agree or disagree?
- How much money do you think a teen should have in an emergency fund?
- What other reasons can you think of for teens to have an emergency fund?
- How could teens be encouraged to save money for emergencies?

The Pandemic and Emergency Savings



Impact on Emergency Savings Levels

Survey: Nearly 3 times as many Americans say they have less emergency savings versus more since the pandemic.

BankRate Survey | August 2020

Findings

People with lower emergency savings now: 35%

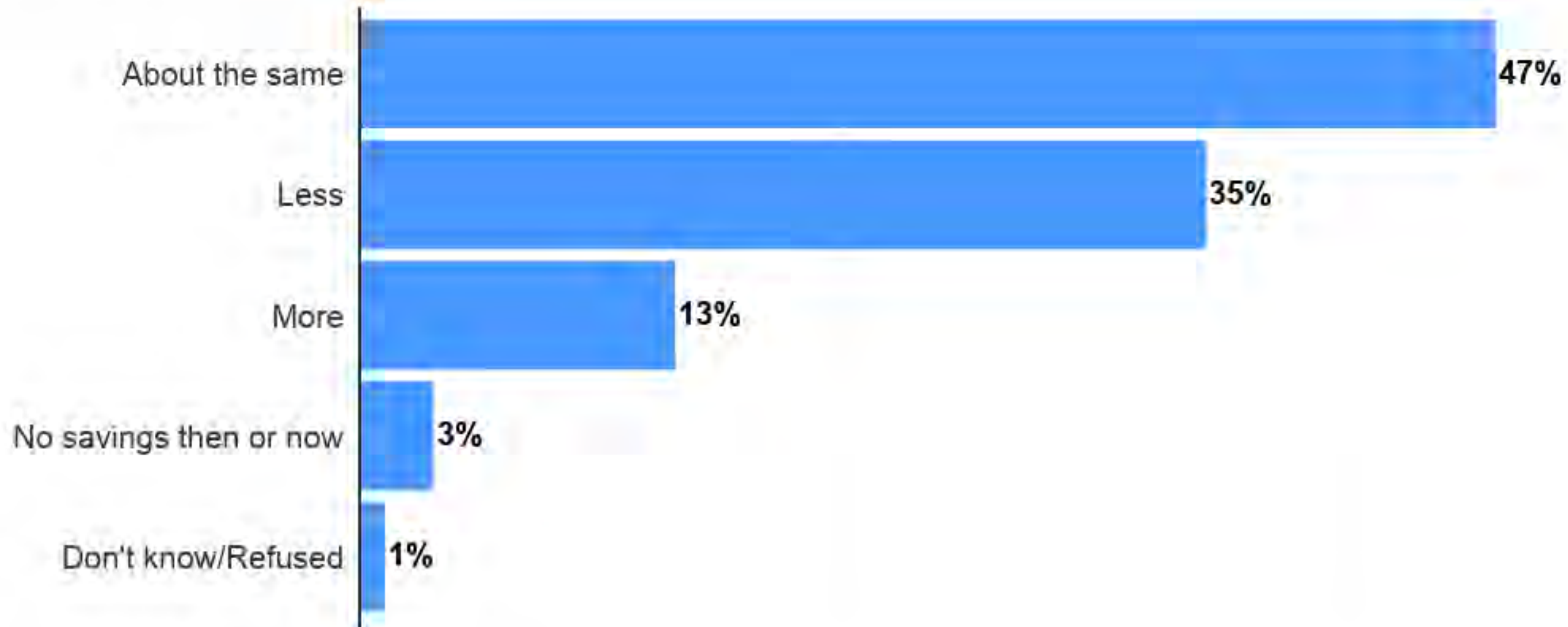
People with higher emergency savings now: 13%

People very comfortable with their emergency savings: 16%

Households earning less than \$30,000/ year felt least comfortable with their savings situation

Americans' emergency savings have been drained since the coronavirus crisis began

We asked: Do you have more, less, or about the same amount of emergency savings now as you had before the coronavirus outbreak?

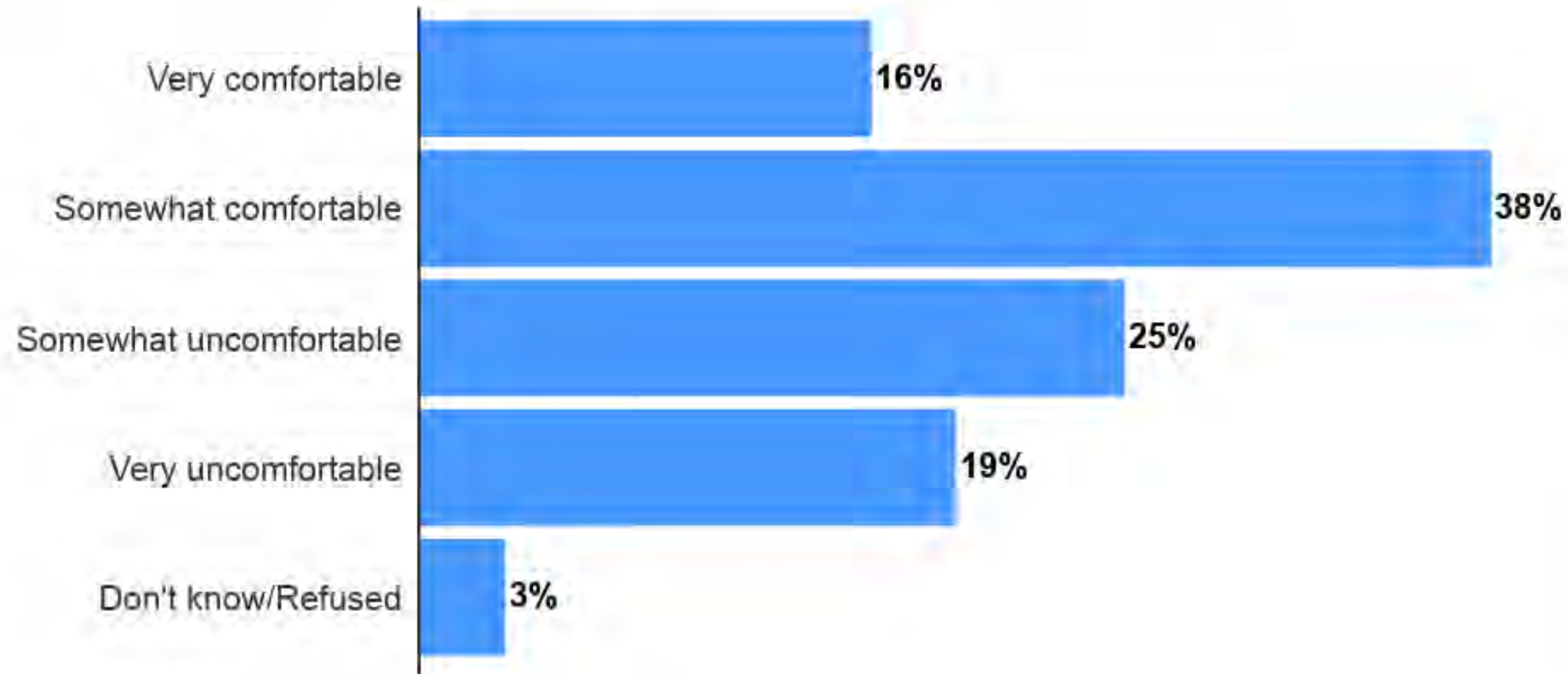


Source: Bankrate survey, July 28 - August 2, 2020

Note: Figures do not add to 100 due to rounding.

Surprisingly, most Americans are at least somewhat comfortable with their emergency savings

We asked: Thinking about how much money, if any, you have in emergency savings, how comfortable or uncomfortable are you with your level of emergency savings now?



Source: Bankrate survey, July 28 - August 2, 2020

Note: Figures do not add up to 100 because of rounding.

BankRate Survey | August 2020

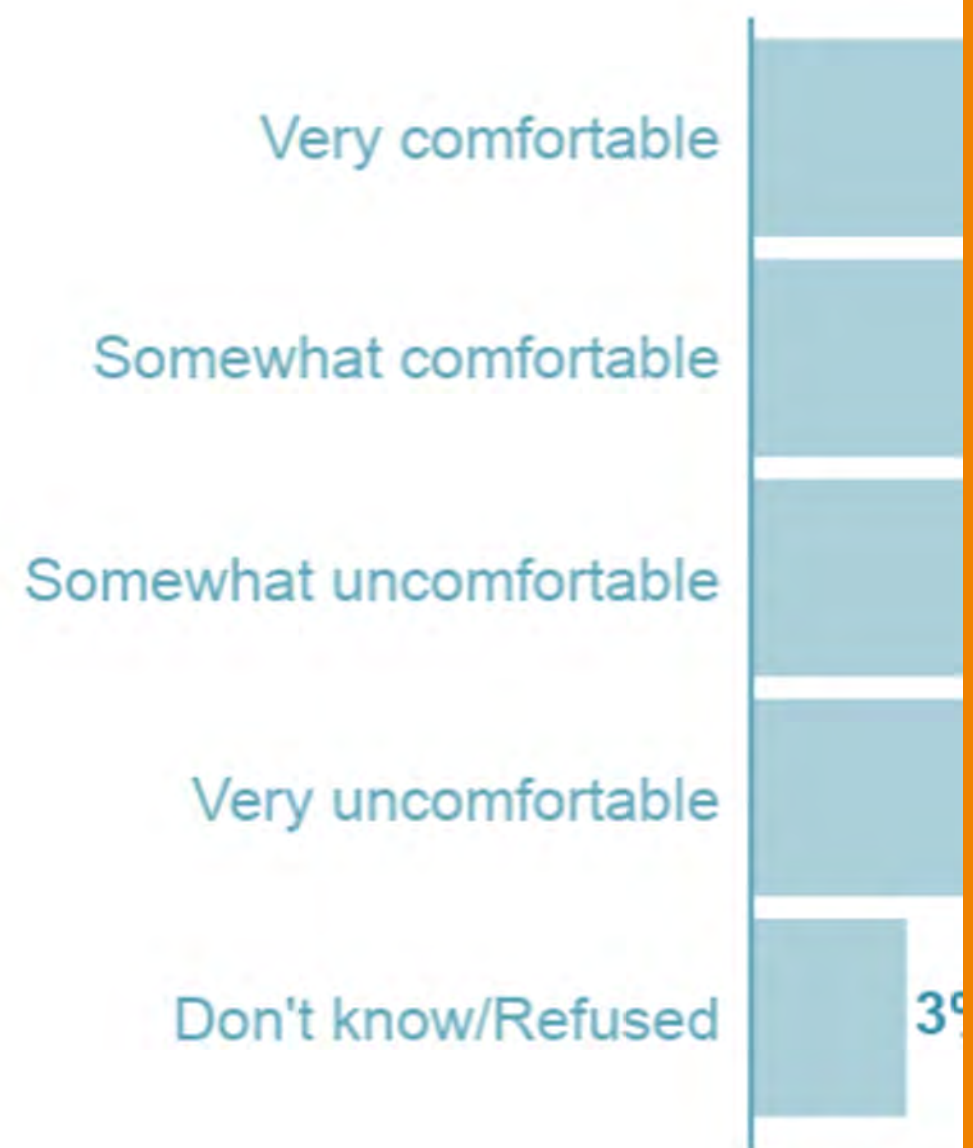
Findings

Americans with no emergency savings: 21% -- lowest in 10-year history of the poll

Americans with some emergency savings but less than three months' worth: 27% -- highest level in the poll's 10 years

Surprisingly, most Americans are comfortable with the amount of emergency savings they have

We asked: Thinking about how much emergency savings you have, how comfortable or uncomfortable are you with the amount you have?



Source: Bankrate survey, July 28 - August 1, 2020

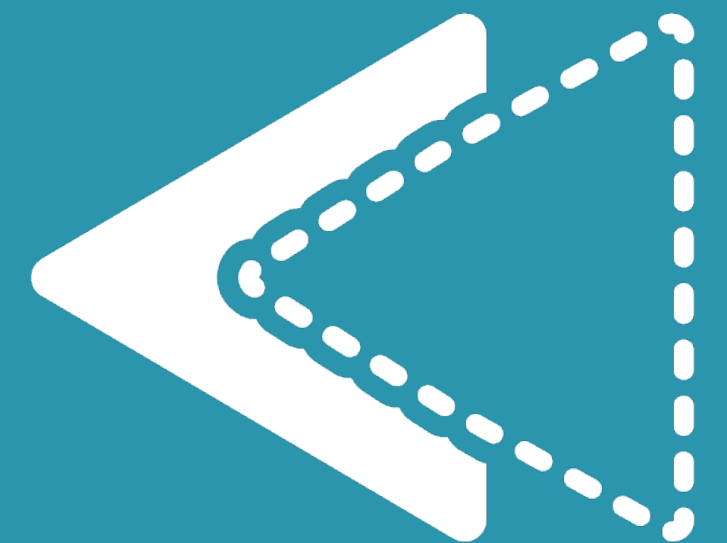
Note: Figures do not add up to 100% because of rounding

Survey: Nearly 3 times as many Americans say they have less emergency savings versus more since pandemic

Read the article and answer these questions:

- Were you surprised by the results? Why or why not?
- Why do you think some people have more in emergency savings now while others have less?
- How do you think the pandemic might change the way people view having an emergency fund?

— Pre-Pandemic or The “Before” Times



Report on the Economic Well-Being of U.S. Households

Many adults were not well prepared to withstand even small financial disruptions in 2019, though the ability to handle unexpected expenses had improved markedly since 2013. Despite the positive trends, financial challenges remained, especially for those with less education as well as for minorities. This highlights the potential for financial disruptions to families' finances from even a relatively short period of lost wages.

Economic Well-Being of U.S. Households | 2019

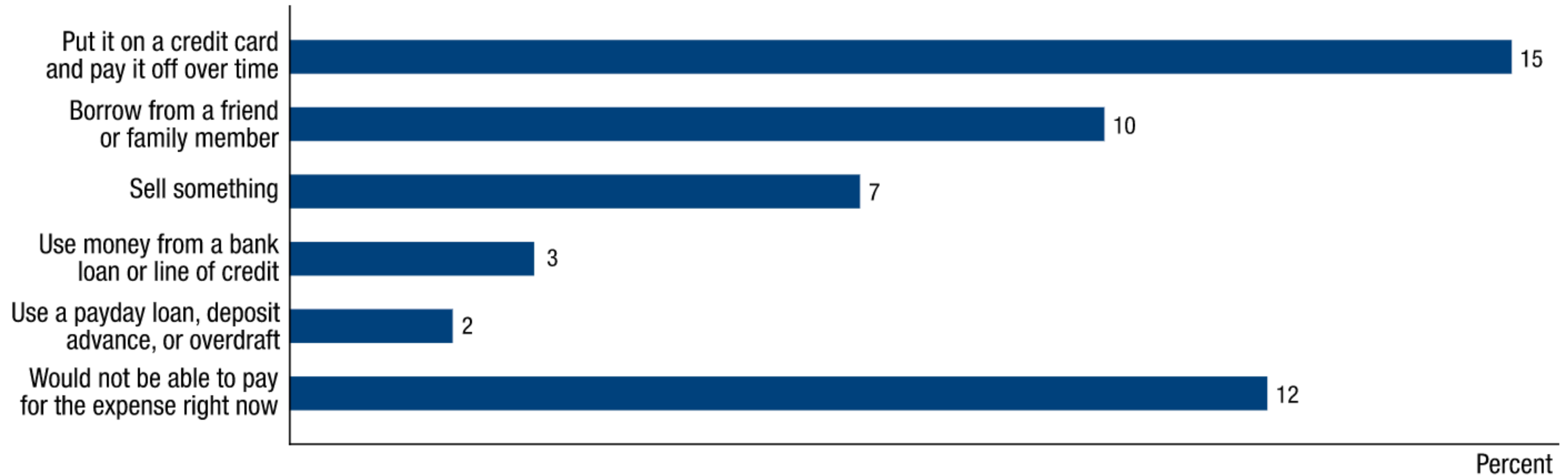
Would cover a \$400 emergency expense completely using cash or its equivalent

(by survey year)



Economic Well-Being of U.S. Households | 2019

Other ways individuals would cover a \$400 emergency expense



Ability to Pay Actual Monthly Bills

Nearly 3 in 10 adults were either unable to pay their monthly bills or were one modest financial setback away from failing to pay monthly bills in full.

Sixteen percent of adults did not expect to pay all of their bills in full in the month of the survey in October 2019.

An **additional 12 percent** said they could cover their current bills, but would not have been able to do so if they faced a \$400 unexpected expense on top of their current bills.

Two Cents



— Why You NEED an Emergency Fund!



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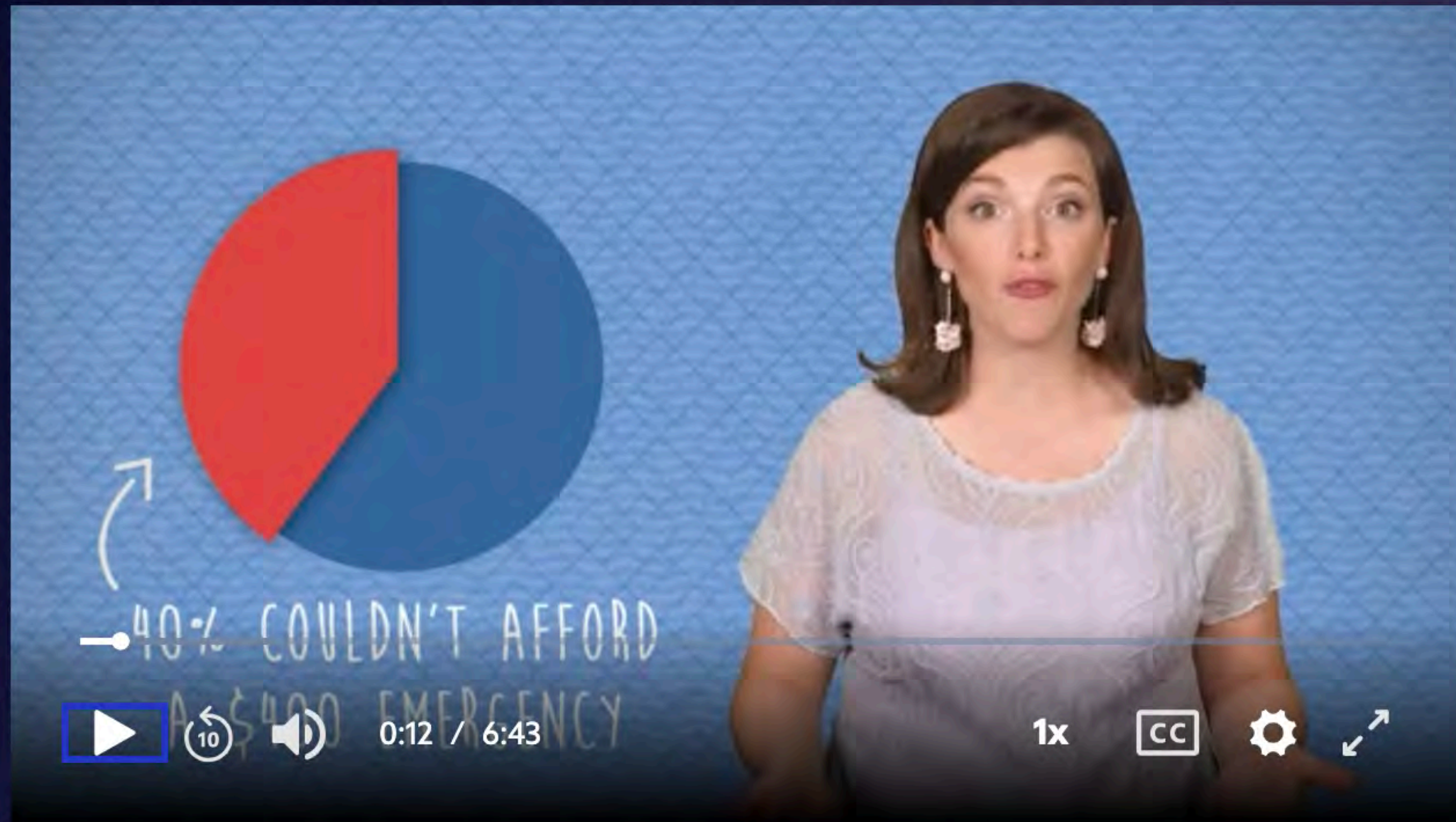
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TWO CENTS

Why You NEED an Emergency Fund!

11/25/2019 | 6m 43s |

+ My List

It may not be flashy or exciting, but an EMERGENCY FUND is the foundation your financial health is built upon.

Aired: 11/25/19 | Rating: NR

From: PBS Digital Studios >

A Look at Savings Rates



Next Gen Personal Finance

Questions of the Day: Savings

The screenshot shows the NGPF website interface. At the top left is the NGPF logo with the text 'Next Gen Personal Finance'. To the right is a search bar with the placeholder text 'Search for...' and a magnifying glass icon. Further right is a user profile section with the text 'Welcome, Hilary!', a user icon, 'My Account', and 'Log Out'. Below the search bar is a navigation menu with the following items: 'Arcade', 'Curriculum', 'Resources', 'Community', 'Teacher PD', and 'Advocacy'. The main content area is divided into two columns. The left column features a list of course lessons under the heading '9-Week Course Lessons:'. The items are: 'SC-3.3 - Strategies to Save', 'SC-3.4 - Where to Save', '9WK-3.0 - Unit Plan', '9WK-3.1 - Save Early & Often', and '9WK-3.2 - The Challenges to Saving'. The right column is titled 'Questions of the Day' and contains a list of seven questions related to savings. At the bottom of this list is a button labeled 'View Less...'. The questions are: 'What is the U.S. personal savings rate?', 'What percentage of Americans can not cover a \$400 emergency with cash/savings account emergency fund?', 'Can you name three of the most popular New Year's resolution for 2021?', 'What percent of households led by someone 55 or older have NO money saved for retirement?', 'Which savings strategy is most effective?', 'Children with bank accounts and college graduation rates', and 'For the two-thirds of kids who get an allowance, what's the average weekly amount they receive?'. The final question is 'What percent of teens started saving money by age 12?' and 'What is the median savings account balance for Americans under 35?'.

NGPF | Next Gen Personal Finance

Search for... Q

Welcome, Hilary! My Account Log Out

Arcade Curriculum Resources Community Teacher PD Advocacy

+ SC-3.3 - Strategies to Save

+ SC-3.4 - Where to Save

9-Week Course Lessons:

+ 9WK-3.0 - Unit Plan

+ 9WK-3.1 - Save Early & Often

+ 9WK-3.2 - The Challenges to Saving

Questions of the Day

What is the U.S. personal savings rate?

What percentage of Americans can not cover a \$400 emergency with cash/savings account emergency fund?

Can you name three of the most popular New Year's resolution for 2021?

What percent of households led by someone 55 or older have NO money saved for retirement?

Which savings strategy is most effective?

Children with bank accounts and college graduation rates

For the two-thirds of kids who get an allowance, what's the average weekly amount they receive?

What percent of teens started saving money by age 12?

What is the median savings account balance for Americans under 35?

View Less...

What is the personal savings rate in the United States?

Personal saving as a percentage of disposable personal income (DPI), frequently referred to as “the personal saving rate,” is calculated as the ratio of personal saving to DPI. (Federal Reserve Bank)

19% (as of June 2020)



[Click here for more info on this topic](#)


1. How does the personal savings rate today (about 19%) compare to the rate during other periods of time? (In other words, is the rate lower, higher, or around the same?)
2. In our current historical moment, what would be your explanation of a 19% personal savings rate?
3. What has been the general trend for personal savings rate in the U.S. from 1960-2019?
4. What has happened to the personal savings rate during recessions in the past (gray bars)?
5. What do you think is a good saving target to aim for personally?

Categories > National Accounts > National Income & Product Accounts > Domestic Capital Account (Saving & Investment)

☆ Personal Saving Rate (Saving & Investment)






Observation:
Jan 2021: **20.5** (+ more)
Updated: Feb 26, 2021

Units:
Percent
Seasonally Adjusted

DOWNLOAD 

FRED  — Personal Saving Rate

1Y | 5Y | 10Y | Max 1959-01-01 to 2021

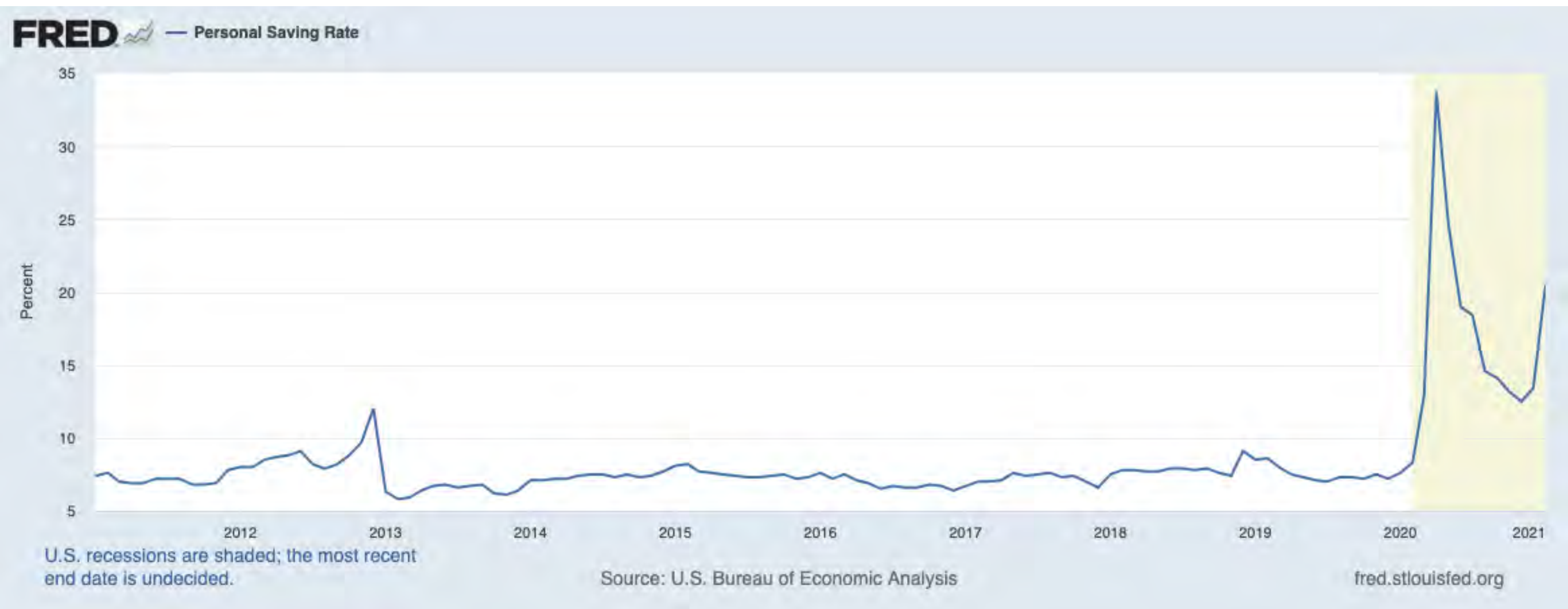
-  Excel (data)
-  CSV (data)
-  Image (graph)
-  PowerPoint (graph)
-  PDF (graph)



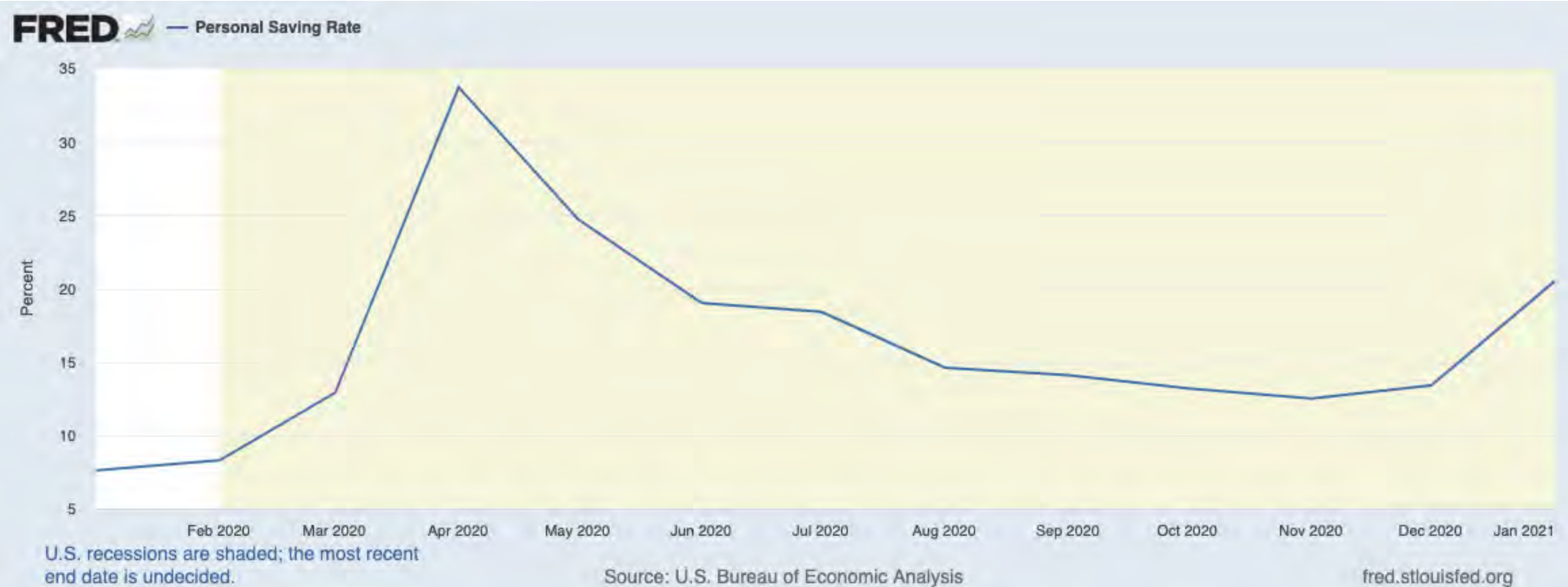
Maximum Timeline: 1960-2021



— 10 Years: 2011-2021



— 1 Year: Jan 2020 – Jan 2021





QUESTION OF THE DAY

Saving

Q: How many Americans could not pay a surprise \$1,000 bill using their savings account?



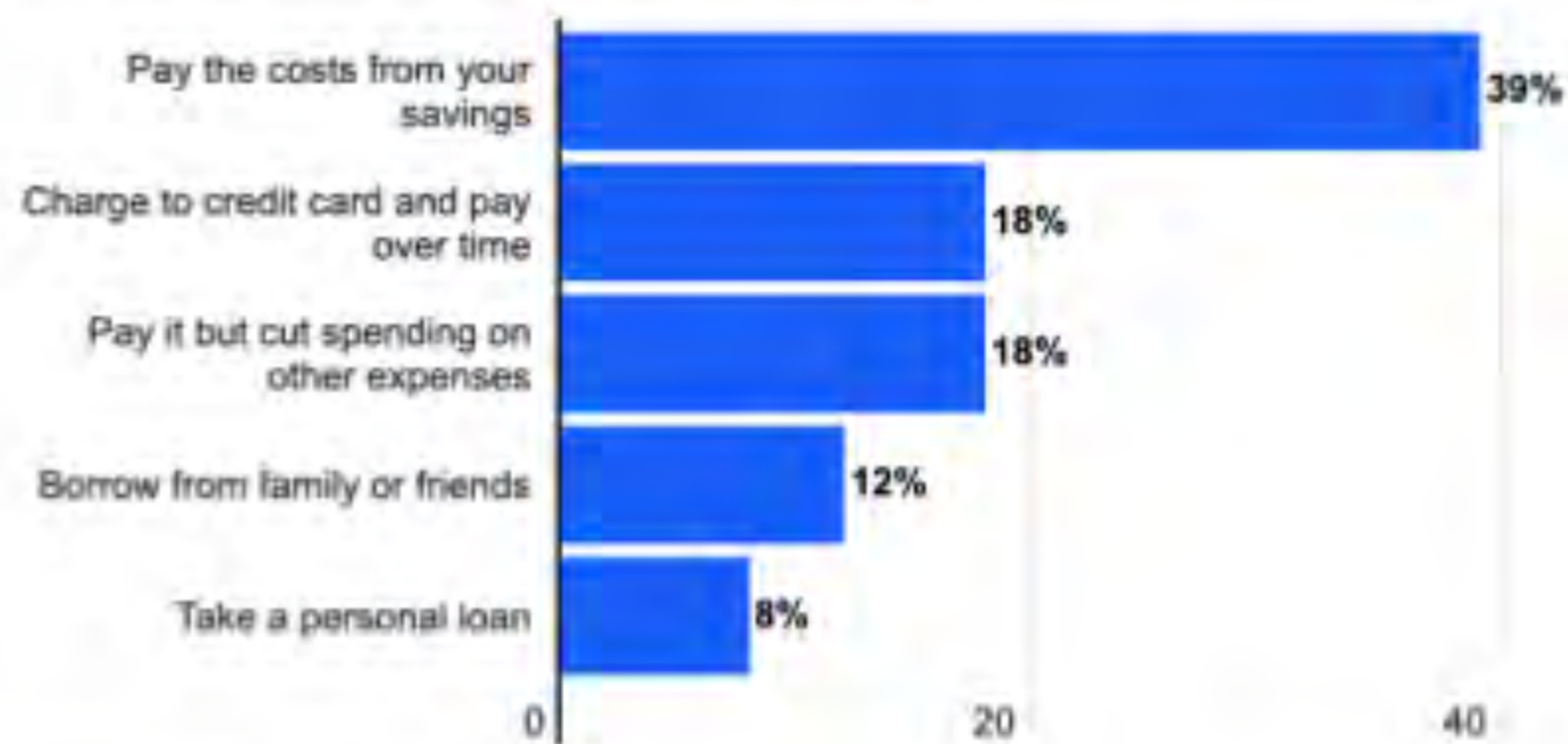
QUESTION OF THE DAY

Saving

A: 38%

We asked: How would you pay a surprise expense?

Facing a \$1,000 expense for an emergency room visit or car repair, you would:



Source: Bankrate survey, December 2020

FOLLOW-UP QUESTIONS

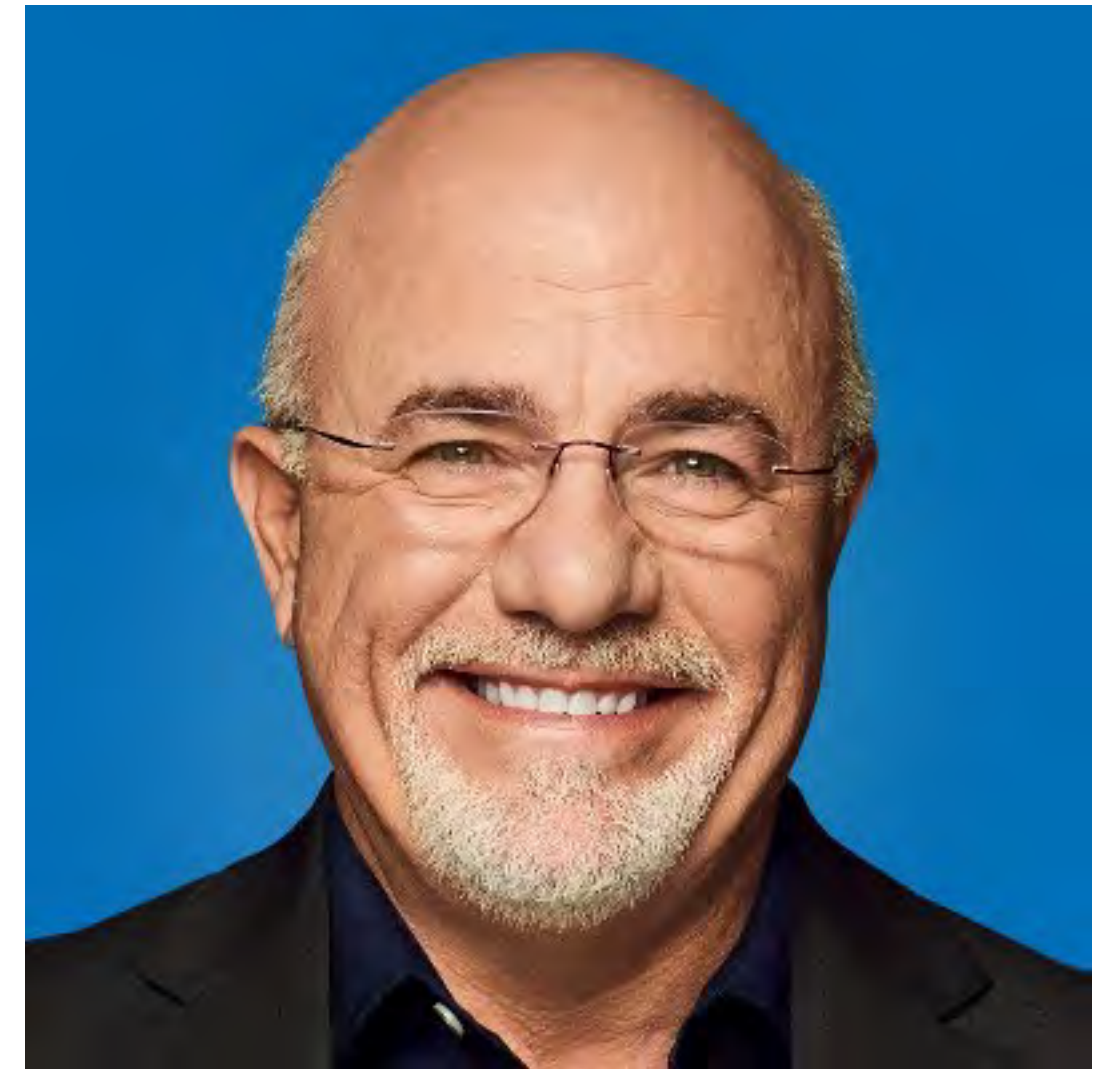
- 1.** Are you surprised by this number? Why or why not?
- 2.** What are some surprise expenses that could amount to \$1000?
What are some surprise expenses that cost more than \$1000?
- 3.** Between charging a credit card, borrowing from a friend, or taking a personal loan, what option is most costly? Why?

How Much to Save: Expert Advice



**Dave
Ramsey**

**\$1,000; then three to
six months of expenses**



**Erin
Lowry**

*Broke
Millennial*

**At least one month of
expenses**



**Suze
Orman**

**Eight months of
expenses**



What is Enough?

Saving three to six months' worth of cash to cover expenses was not enough for a pandemic that has stretched to one year and counting.

Online Calculators



— Savings Strategies



Automating Savings



The easiest way
to save is to...


AMERICA
SAVES
WEEK

Save
Automatically

Take the pledge at AmericaSaves.org

Automating Your Savings

Every payday, your bank or credit union transfers a fixed amount from your checking account to a savings or investment account. Talk to your local bank or credit union to set this up.

Choose a day of the month or a regular interval, such as every 2 weeks, to transfer a set amount from your checking account to a savings vehicle. We particularly recommend this method for people with inconsistent income or those who access their pay frequently. Consider picking a lower dollar amount or a time of the month when many other automatic payments aren't happening. Set this up with your bank or credit union.

Splitting Savings

**SPLIT
TO SAVE!**

Save automatically
by splitting your
paycheck through
direct deposit.



Take the pledge at americasaves.org



— Split to Save



— Split to Save

Financial Institution

**Employer Deposits Full Check into a Checking Account.
Bank Automatic Transfer from Checking Account**

\$\$\$

**Bank Automatic
Transfer into a
Savings Account**

Split to Save

Even small amounts, saved automatically each pay period, make a big difference.



Amount saved over a one year period.

Weekly | Bi-Weekly

Savings
Apps/
Programs



Keep the Change[®] Savings Program



LONG GAME

Dobot



SIMPLE

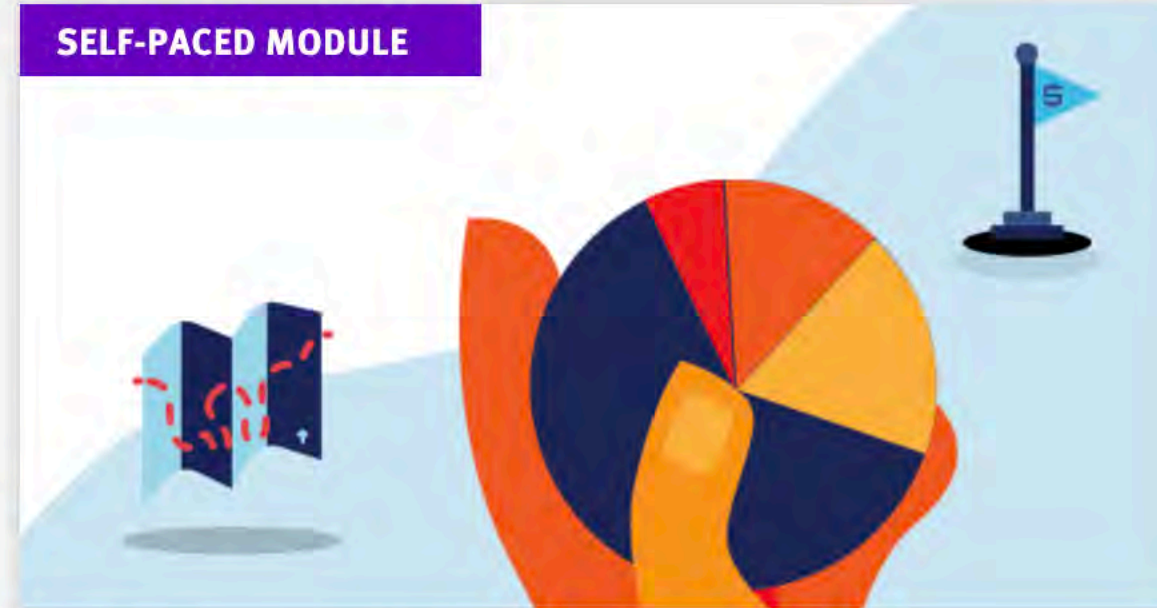
Classroom Activity

TOPIC 3

Finding Money to Save

Your students will explore specific strategies to save money and work in groups to research technology services that claim to help people save money more easily.

SELF-PACED MODULE



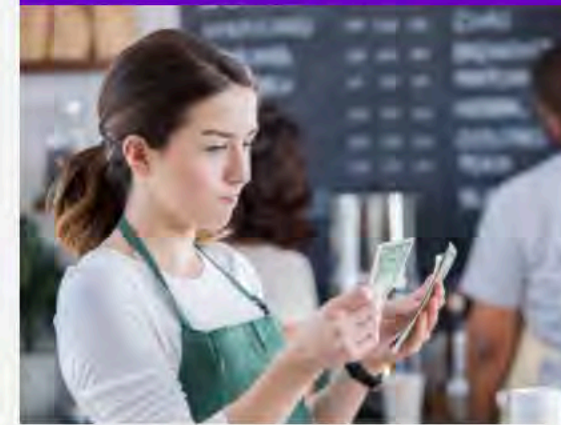
Find Money to Save

🕒 10 to 15 minutes (plus optional discussion)

This module will introduce your students to the principles and purpose of saving money and provide them strategies for saving money.

[Launch Module](#) 

CLASSROOM ACTIVITY



Saving Made Easy

After sharing how likely they would be to save money they receive, students work in groups to research technology services, including apps, that claim to help people save money more easily. Groups present their findings to the class and make comparisons between the services described.

[Download Activity](#) 

Supplemental Resource Links

[54 Ways to Save Money](#)

America Saves

Your students can view this list of 54 ways to reduce costs and find money to save, organized by categories such as food, entertainment, and transportation.

Savings Made Easy

DISCOVER

Pathway to Financial Success
In Schools

Unit 5 | Paying Yourself First



UNIT 5
Paying Yourself First

Topic Finding Money to Save

LEARNING OBJECTIVE(S)

Students will:

- **identify** their personal savings habits.
- **evaluate** apps designed to help people save money more easily.

Title

Savings Made Easy

Overview

How do you find money to save? How much money should you set aside for the future? After sharing how likely they would be to save money they receive, students work in groups to research technology services that claim to help people save money more easily. Groups present their findings to the class and make comparisons between the services described.

Financial Literacy Theme

Paying Yourself First

21st Century Skill(s)

Collaboration, Communication, Critical Thinking

Key Terms

Savings, savings goals

Materials

- **Savings App Research Student Handout**—at least one copy per group of students (2–3 students per group)
- **Internet access**—at least one device with Internet access per group of 2–3 students
- **Signs**—three signs, each with one of the following written on it: \$0, \$150, \$300

DISCOVER

Pathway to Financial Success
In Schools

Unit 5 | Paying Yourself First

Connect

How does this connect to the student?

Many students don't make savings a habit. Technology can make saving money easier through the use of specific apps that help us set goals and make frequent deposits into a savings account.

How does this connect to careers?

App Developer: Many companies are developing technologies that help people better understand and interact with their finances. Students with an interest in technology might consider a role developing apps for companies in the "FinTech" sector.

How does this connect to the world?

Over time, responsibility for retirement savings in the United States has shifted from employers to individuals. Most of today's students will need to take personal responsibility for their financial security in later life, yet the rate at which families are saving is still very low.

Prepare

Background: Many people find it challenging to save money. They often worry that they don't have enough money to save or that saving money is hard to do. Yet technology has made saving easier than ever before. Automatic deposits to savings accounts can be made each time someone is paid or receive a large amount of money such as a tax refund. There are also apps that help people save. The features of each are different; some track progress toward a savings goal, others round up purchases and save or invest the difference, and still others help identify money that could be saved based on one's budget.

Engage

Note: Before class, hang the signs along a wall in the classroom with \$0 at one end, \$150 in the middle, and \$300 at the other end.

- Ask students to imagine that they just won first place in a contest and received \$300 in cash. How much of that \$300 would they spend right away and how much would they save for later? Invite students to write down each amount—how much they would spend now and how much they would save for later. Direct students to focus on the amount they would put in their **savings** and stand along the wall in the position representing that amount.
- Discuss student responses. Did any students say they would save all of the money they received? Do they usually save most of their money? What got them into the habit of doing that? Did any students stand at the \$0 sign? If so, do they usually spend all of their money and not save any? What are the benefits and tradeoffs of this choice? Ask all students if it is easy or hard to save money. Why? Does having a specific goal toward which they are saving (a **savings goal**) make it easier to save?

Teach

1. Ask students if they know any examples of how technology is making it easier for people to save money—especially those who may be reluctant savers.
2. Tell students they will be working in small groups to research apps that claim to help people save money. Challenge students to identify apps using online summaries and reviews such as Bankrate, Investopedia, or NerdWallet.

— Savings Made Easy

Engage

Note: Before class, hang the signs along a wall in the classroom with \$0 at one end, \$150 in the middle, and \$300 at the other end.

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Savings Made Easy

Savings App Research

STUDENT HANDOUT

Directions: Complete the information below.

App Name: _____

Website: _____

1. How does the app work?
2. What services does the app provide?
3. Who could benefit from using this app?
4. Are there any fees to use the app (sign up and/or ongoing)? If so, what are they?

Savings Made Easy

5. What do you need to do to use the app?

6. Is the service associated with a specific bank or credit union or can you use your own?

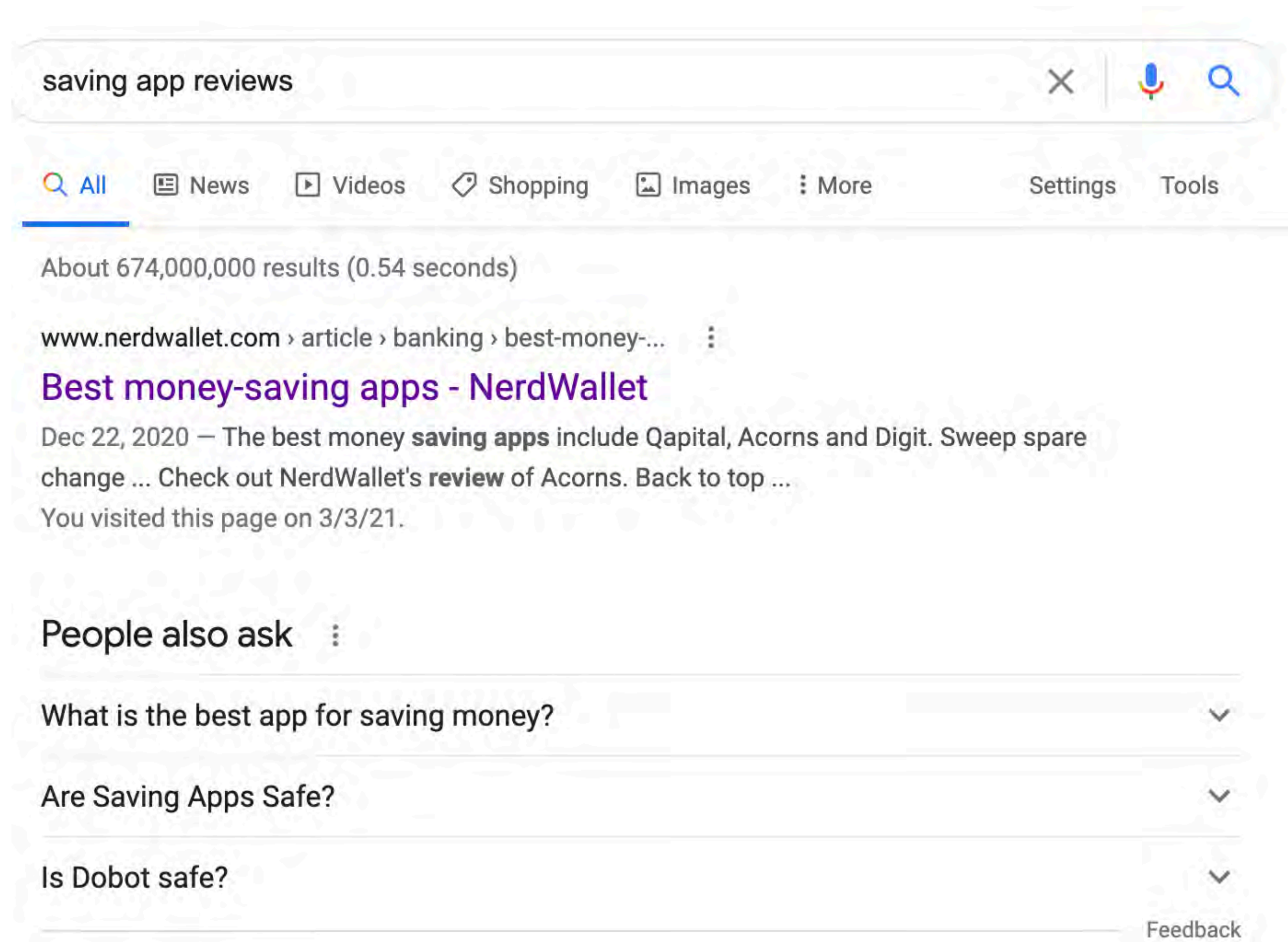
7. Does the app seem like it would be easy to use?

8. Are there any reviews of the app? If so, are they positive or negative?

9. Would you use this app? Why or why not?

10. What is one thing that could improve this app?

Good Digital Consumers



saving app reviews

All News Videos Shopping Images More Settings Tools

About 674,000,000 results (0.54 seconds)

www.nerdwallet.com › article › banking › best-money-...
Best money-saving apps - NerdWallet
Dec 22, 2020 – The best money **saving apps** include Qapital, Acorns and Digit. Sweep spare change ... Check out NerdWallet's **review** of Acorns. Back to top ...
You visited this page on 3/3/21.

People also ask

- What is the best app for saving money?
- Are Saving Apps Safe?
- Is Dobot safe?

Feedback

Comparing Reviews

Bankrate®

Best money savings apps

1. [Digit](#): Best for optimizing savings decisions
2. [Dobot](#): Best for price
3. [Qapital](#): Best for those who are motivated by visuals
4. [Long Game](#): Best for a game-like experience
5. [Simple](#): Best for competitive APY with auto-savings features
6. [Chime](#): Best for those who want their bank app to save their spare change
7. [Current](#): Best for young adults seeking a banking alternative
8. [Acorns](#): Best for novice investors

credit karma

1. Digit

Pros	Cons
Saving is automatic	Fee of \$5 per month after first 30 days
No-overdraft guarantee	Doesn't earn interest

Questions to Consider

Online Reviews

- Do they have a vested interest or sales motivation?
- Who is doing the review?
- How current is it?
- Is there one overall “winner” or different categories?

Where to Keep Your Savings



Tie to Financial Institutions and/or Types of Accounts

Savings Account Questions

- Can I have more than one savings account?
 - Does that impact account minimums?
 - Are there fees?
 - Can I give them custom names?
- What is important to you?
 - Interest rate
 - Hard to spend
 - Easy to manage

Practical Money Skills for Life

Grades 9-12

Lesson 10: Make It Happen: Saving for a Rainy Day



Make It Happen: Saving for a Rainy Day

LESSON 10: TEACHER'S GUIDE

Saving for a new phone or laptop isn't unusual for teens, but thinking beyond immediate wants can be a bigger challenge. This lesson introduces students to the concepts of saving for an emergency and other long-term expenses such as college, a home and retirement. Students will learn the benefits of saving for a rainy day and explore various saving and investing strategies.

Topic: Savings Options

Time Required: 65 minutes

SUPPLIES:

- Notebooks
- Computers or tablets
- Internet access
- Projector
- Student activity sheets (2)

PREPARATION:

- Copy student activity sheets

STUDENT ACTIVITY SHEETS:

Where to Stash Your Cash

This handout introduces students to basic savings and investing strategies including the risks, advantages and disadvantages associated with each.

Bank It

Students will research savings strategies offered by different banks to assess the fees, requirements and savings potential offered by each.

LEARNING OBJECTIVES:

Students will...

- Learn the pros and cons of savings and investing strategies
- Exercise skills needed for saving and investing
- Examine how saving and investing is part of financial well-being

STANDARDS:

JumpStart Standards:

- Planning Standard 4
- Savings Standards 1, 2 and 3

National Standards for Economics:

- Standard 1: Scarcity
- Standard 10: Institutions

Common Core ELA Anchor Standards:

- Speaking and Listening: Comprehension and Collaboration
- Speaking and Listening: Presentation of Knowledge and Ideas
- Language: Vocabulary Acquisition and Use

Common Core Math Standards:

- Numbers and Quantity: Quantities
- Modeling
- Statistics and Probability: Making Inferences and Justifying Conclusions

LESSON 10: TEACHER'S GUIDE

INSTRUCTION STEPS

Essential Question

"What strategies should I use to save and invest my money?"

Investigate: Rainy Day Savings

[Time Required: 10 minutes]

1. Begin by asking students what they think the phrase "saving for a rainy day" means. Invite volunteers to share their thoughts and explain that the expression refers to creating an emergency fund to pay for unexpected expenses, such as an illness or car repairs.
2. Ask the class why an emergency fund is important. What do we gain by being prepared for the unexpected? What would we do if we didn't have an emergency fund and something actually happened? Help students understand that preparing for emergencies can increase their sense of security.
3. Next, ask students what other long-term expenses they might incur in the future. Are they planning to go to college? Explain that just as we set aside money for emergencies, we should also set aside money for long-term needs like college, buying a home and retirement. Help students understand that the younger they start saving, the more their money will grow.

Student Preparation: Where to Keep Money

[Time Required: 20 minutes]

4. Explain to students that part of creating a good savings plan, whether for an emergency fund or long-term goals, is assessing where our money is best kept for maximizing savings.
5. Ask students what they do with the money they receive from jobs, allowance or gifts. Do they spend it? Save it? Keep it at home? Deposit it in a bank account? What choices do they make with their money and why? Invite students to share their experiences.
6. Explain that not all banks or savings accounts are the same and that we have many choices when it comes to saving and investing our money. Distribute the **Where to Stash Your Cash** tip sheet and review it as a class.

TEACHER'S TIPS

What is the Essential Question?

The Essential Question is designed to "hook" the learner, promote inquiry and engagement with the lesson, and allow students to exercise problem-solving abilities. It addresses a larger concept, does not have a right or wrong answer, and requires higher-order thinking skills.

Link to Lesson 9:

If you've already covered **Lesson 9** on budgeting, help students consider how creating a budget will help them save money for an emergency fund.

Extension Idea:

For more information on saving for retirement, see **Lessons 18** and **21** on investing.

Where to Stash Your Cash



Where to Stash Your Cash

LESSON 10: STUDENT ACTIVITY SHEET 1

Time Required: 20 minutes

There are lots of different choices when it comes to saving and investing your money. Understanding your options will help you make more informed decisions. Study the table below to familiarize yourself with different savings and investing strategies.

Strategy	What is it?	What's the risk?	What are the pros?	What are the cons?
Certificate of Deposit (CD)	Savings certificate issued by a bank or credit union	Minimal risk because it is insured by the Federal Deposit Insurance Corporation (FDIC) through a bank and the National Credit Union Share Insurance Fund (NCUSIF) through a credit union	<ul style="list-style-type: none"> - Higher interest rates than a traditional savings account - Not risky - The longer the term, the higher the interest you usually earn 	<ul style="list-style-type: none"> - Must be left in the bank for a fixed amount of time - Steep penalties for withdrawing money early - Minimum balances required
Savings Account	A deposit account that earns interest and is issued by a bank or credit union	Minimal risk because it is FDIC or NCUSIF insured	<ul style="list-style-type: none"> - Not risky - No restrictions on withdrawals - Low or no minimum balances required 	<ul style="list-style-type: none"> - Lowest interest rates - Some banks charge fees for opening and maintaining accounts
Money Market Account	A type of checking and savings account issued by a bank or credit union	Minimal risk because it is FDIC or NCUSIF insured	<ul style="list-style-type: none"> - Higher interest rates than a savings account - Can withdraw money (with some restrictions) 	<ul style="list-style-type: none"> - Higher minimum balance required - Some withdrawal restrictions (e.g., limits on number of withdrawals per month) - Subject to fees if balance below certain amount
Retirement Account	An account such as an IRA and 401(k) that helps you set aside money for retirement	Investment choices range from very secure government bonds to higher risk stocks	<ul style="list-style-type: none"> - Tax-deferred growth - Some employers will match contributions - Helps create long-term savings 	<ul style="list-style-type: none"> - Steep penalties for withdrawing money before retirement - Contribution limits

Continued on the next page.



Where to Stash Your Cash

LESSON 10: STUDENT ACTIVITY SHEET 1

Strategy	What is it?	What's the risk?	What are the pros?	What are the cons?
529 Savings Account	A savings account designed specifically for educational expenses	Risk varies depending on investment choice. Some accounts offer FDIC or NCUSIF insurance while others can be invested in higher risk stocks	<ul style="list-style-type: none"> - Low minimum starting balance - Some states offer tax breaks - Tax deferred growth 	<ul style="list-style-type: none"> - Have to use the money for college or face a 10% penalty
Mutual Funds	A collection of stocks, bonds or other investments that are professionally managed in a portfolio	Risk varies depending on the type of mutual fund	<ul style="list-style-type: none"> - Creates an opportunity to diversify investments 	<ul style="list-style-type: none"> - Return is not guaranteed - If portfolio is professionally managed, it may be subject to high fees
Stocks	A stock is a share in the ownership of a company	Risk varies depending on investment choice	<ul style="list-style-type: none"> - If the market value increases, there is potential for great gain 	<ul style="list-style-type: none"> - If the market value decreases, there is the potential for great loss - No guarantee for a return on investment and principal could be lost - Managing stock options may require professional help
Bonds	A bond is a loan in which you are the lender and the government is the borrower	Risk varies depending on investment choice	<ul style="list-style-type: none"> - Usually provides more security than stocks 	<ul style="list-style-type: none"> - Historically lower return rates

STUDENT TIP

When you invest your money in CDs, savings accounts or money market accounts, a bank will insure your money through the Federal Deposit Insurance Corporation (FDIC) and a credit union insures your money through the National Credit Union Share Insurance Fund (NCUSIF). While the interest rates may be lower than other investment options, your money is always protected.

— Make it Happen

Strategy	What is it?	What's the risk?	What are the pros?	What are the cons?
Certificate of Deposit (CD)	Savings certificate issued by a bank or credit union	Minimal risk because it is insured by the Federal Deposit Insurance Corporation (FDIC) through a bank and the National Credit Union Share Insurance Fund (NCUSIF) through a credit union	<ul style="list-style-type: none"> - Higher interest rates than a traditional savings account - Not risky - The longer the term, the higher the interest you usually earn 	<ul style="list-style-type: none"> - Must be left in the bank for a fixed amount of time - Steep penalties for withdrawing money early - Minimum balances required
Savings Account	A deposit account that earns interest and is issued by a bank or credit union	Minimal risk because it is FDIC or NCUSIF insured	<ul style="list-style-type: none"> - Not risky - No restrictions on withdrawals - Low or no minimum balances required 	<ul style="list-style-type: none"> - Lowest interest rates - Some banks charge fees for opening and maintaining accounts
Money Market	A type of checking	Minimal risk because	- Higher interest	- Higher minimum

Bank It

Time Required: 20 minutes



Bank It

LESSON 10: STUDENT ACTIVITY SHEET 2

If you had \$100 and wanted to put it into a savings account, which institution and type of account would you choose? Choose two local banks or credit unions and write their names in the chart below. Then research specifics about each type of savings account at the two institutions, such as whether there are fees or minimum balance requirements. Record notes on your findings in the chart. Based on your research, which bank or credit union would you choose?

	Bank or Credit Union #1:	Bank or Credit Union #2:
Certificates of Deposit (CDs)		
Savings Accounts		
Money Market Accounts		
Retirement Accounts		
529 Savings Accounts		
Mutual Funds		
Stocks		
Bonds		

Continued on the next page.

Bank It

Time Required: 20 minutes



Bank It

LESSON 10: STUDENT ACTIVITY SHEET 2

If you had \$100 and wanted to put it into a savings account, which institution and type of account would you choose? Choose two local banks or credit unions and write their names in the chart below. Then research specifics about each type of savings account at the two institutions, such as whether there are fees or minimum balance requirements. Record notes on your findings in the chart. Based on your research, which bank or credit union would you choose?

	Bank or Credit Union #1:	Bank or Credit Union #2:
Certificates of Deposit (CDs)		
Savings Accounts		
Money Market Accounts		

Bank It



Bank It

LESSON 10 | STUDENT ACTIVITY SHEET 2

Scenario 1

Aiden's car is 12 years old and he's worried it might break down, so he's trying to save three months of expenses for unexpected repairs, while also saving for a new car. What are the best savings strategies for Aiden so he can keep his money accessible for repairs, but also save for a new car?

Scenario 2

Madeline's friends invited her to go to Cancun next year for vacation. She really wants to go, but she's not sure if she can afford the \$1,000 trip. She has \$500 saved in her dresser and has one year to save the rest, but she's not sure where to keep her money so she can maximize her savings. What is the best savings strategy for Madeline and why?

Scenario 3

Scott is a freshman in high school and plans to attend college someday. His grandparents gave him \$5,000 to start his college savings, but he's not sure where he should keep this money until he's ready to go to college. What would be the best savings strategy for him?



STUDENT TIPS

When assessing the pros and cons of each savings option, remember to consider:

- Minimum and opening balances
- Contribution limits
- Service fees
- Withdrawal penalties or restrictions
- Interest rates
- Risks (is the account FDIC or NCUSIF insured?)

To get started with your research, check out:

- FDIC Bank Find: [fdic.gov](https://www.fdic.gov/bankfind/)
- Credit Union National Association

EconEdLink and Better Money Habits

Creating a Financial Safety Net



— Creating a Financial Safety Net

BETTER MONEY HABITS HIGH SCHOOL LESSON: CREATE A SAFETY NET FOR LIFE'S UNEXPECTED EVENTS

HANDOUT 10.1 – CREATING A FINANCIAL SAFETY NET

1. What is a safety net and why do you need one?

Complete the remaining questions using information from the Better Money Habits video:
Create a Safety Net for Life's Unexpected Events (www.bettermoneyhabits.com)

2. A National Foundation for Credit Counseling poll revealed that _____ percent of Americans would utilize a source other than their savings account to satisfy an unplanned \$1,000 expense.

3. _____ percent said they would neglect existing obligations, like rent or mortgage payments, to pay for the emergency need.

4. Where to begin? A good place to start is figuring out your _____ expenses.

5. A good rule of thumb, now that you know your total expenses for every month, is to multiply that number by _____ to reach your initial savings goal.

6. The term "_____ " means you can access it without having it being locked in a hard to get place that requires a lengthy process to access.

7. List two ways to increase your savings.

—
How Could You Use
These Ideas and
Strategies?



The Making ¢ents Project



Thank you for participating!