

Introduction

Saving

If you could have a wish list, what would it include? An mp3 player? A new wardrobe? A computer? All of the above?

Wouldn't it be great to have all the money you needed right now to buy all the things you want? Chances are, though, you can't afford all the things on your wish list. That's why you have to make choices. One choice might be simply to do without one of the items, perhaps the mp3 player. Another choice, though, could be to save part of your income for a period of time until you have enough to pay for the mp3 player.

This might take a few weeks or months, or maybe even a year, but by choosing to give up spending now in order to save for the future, you would be able to buy that mp3 player eventually.



Why Save?

Introduction

In order to be successful at saving money, so that they can buy the things they want most, people usually set goals. Those who stick with their goals find satisfaction in two ways. They get more of the goods and services they want most. They also feel a lot of self-satisfaction and a sense of accomplishment—like the feeling a sprinter gets from winning a big race, or like a student who gets an A on a difficult test.

This lesson introduces you to the importance of setting goals for saving money and investing for the future. Some goals may be achieved quickly; others will take longer. The good news is: if you consider your options carefully, you'll probably make the right decisions, decisions that can help you reach the goals you have set.

No matter how little or how much money you want to save, you'll have to give up buying something now in order to save and invest for the future. The thing you give up is your opportunity cost.

If you save your loose change until you have a dollar to buy a large candy bar, you might be giving up the opportunity to buy gum from the gumball machine now and then. In that case, the gumballs are your opportunity cost. If you save \$30 a month for six months until you have \$180 for a concert ticket, you might give up the chance to spend money at an amusement park one month, download a few albums the next month, or treat your brother to a pizza the third month. In every case, the best spending alternative you give up when you decide to save is your opportunity cost.

You may find it difficult to imagine saving for five or six years to buy something you really want. That's a long time when you're 12 or 13. In fact, it's nearly half your life! But lots of people set long-term goals for themselves. They plan for things that are three, five, or even ten years in the future.



Vocabulary

Investing: Saving money in order to earn a financial return.

Long-term goals: Goals you plan to achieve in more than three years.

Medium-term goals: Goals you plan to achieve in two months to three years.

Opportunity cost: The next-best alternative that is given up when a choice is made.

Saving: The act of putting something aside for later use.

Scarcity: The economic problem that exists because of unlimited wants and limited resources.

Short-term goals: Goals you plan to achieve in fewer than two months.



NAME: _____ CLASS PERIOD: _____

How to Reach a Goal

Read the stories below and calculate whether the students at Elm Valley Middle School can reach their goals. Determine whether the goals are short-term (up to two months), medium-term (two months to three years), or long-term (more than three years). For any student who cannot reach his or her goal under the circumstances described, suggest ways in which the student might change the circumstances and reach his or her goal.

1. José tutors some sixth graders in math; for this work he earns \$43 a week. He always puts \$18 in his college fund, and he uses the rest for everyday expenses. At a jewelry store downtown, he spotted a bracelet that he'd like to buy for his mother's 40th birthday, two years from now. It is a real beauty, but the price is \$250.

- If José puts aside \$18 a week for college and spends \$15 a week on everyday expenses, how long will it take him to save enough to buy the bracelet? (Do not consider any interest he might be earning on his savings.)
 - Will it be a short-, medium- or long-term savings goal? Explain your answer.
 - If Jose cannot save enough according to his present savings and spending plan, suggest some ways he might change his plan in order to reach his goal.
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2. Lauren earns \$20 every Saturday baby-sitting for her neighbors. She also receives an allowance of \$12 per week for the chores she regularly does at home. Her parents have a rule that she must put half of her allowance in her college fund, a savings account from which she never withdraws any money.

Lauren plays tenor saxophone in the school band and has been renting an instrument from the music department. Last week Lauren saw a used sax at a music store in the mall. She'd really like to buy it, but it costs \$210. Her parents told her that if she saves the \$210, they'd pay the sales tax for her.

- If Lauren continues to contribute to her college fund, and saves every penny she earns, including her allowance, how long will it take her to save enough to buy the sax?
 - Will it be a short-, medium-, or long-term savings goal? Explain your answer.
 - If Lauren cannot save enough according to her present savings and spending plan, suggest ways she might change her plan in order to reach her goal.
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3. Darnell works in his father's office on Mondays, Wednesdays, and Fridays; he earns \$90 a week. He saves \$24 each week in his college fund, gives \$5 a week to charity, and spends \$10 a week on snacks and entertainment.

Recently Darnell became interested in golf, and he wants to become a better player. Golf lessons at a local park cost \$360 and begin in six weeks. Darnell wants to take these lessons.

- Is this a short-, medium-, or long-term savings goal?
 - If Darnell continues his present saving, spending and sharing habits, will he be able to save enough money in time to attend the first golf lesson? Explain your answer.
 - If Darnell will not be able to reach his goal by holding to his present plan for saving, spending, and sharing, how might he change his present plan in order to reach his savings goal?
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Rolling for a Goal: A Game for Two or More Players

This game involves setting a savings goal and trying to reach it. Two or more people can play the game. Before starting the game, the teacher will provide the game cards. Shuffle them and place them in a pile. You will need two dice, a pencil, paper, and the score sheet (on the next page). Choose a person to go first.

1. Draw a card from the pile. This is your savings goal. Write this amount on line A of the Score Sheet.
2. Throw one die and multiply the number on the die by \$10. Write this amount as the amount you can save each month on line B.
3. Calculate how many months you'll have to save in order to reach your goal, and write the answer on line C. (line A \div line B)
4. Identify the goal as either short-term (S), medium-term (M), or long-term (L), and write the appropriate letter on line D.
5. Roll two dice and multiply the two numbers to determine the number of months during which you will be able to save. Enter that number on line E.
6. Will you be able to reach your goal? Compare the number on line E with the one on line C. If E is greater than or equal to C, give yourself 2 points on line F; if not, give yourself 0 points on line F.
7. Play four rounds. Add the numbers in line F. The person with the most points wins. If winning scores are tied, those players can play additional rounds until there is one winner.



Scoring Sheet for Rolling for a Goal

	Round 1	Round 2	Round 3	Round 4
A Savings goal				
B Amount saved each month (\$10 x roll of one die).				
C Number of months needed to meet goal ($A \div B$).				
D Short - (S), Medium - (M), or Long-term goal (L).				
E Number of months you will be able to save. (Roll of two dice multiplied together).				
F Yes, I will be able to meet my saving goal. (Give yourself 2 points.) No, I will not be able to meet my saving goal (0 points).				
Totals				

NAME: _____ CLASS PERIOD: _____

Short-, Medium-, and Long-Term Goals

The chart below shows how much money six people want to save. Each person is able to save a different amount each month. Calculate how long each person must save to reach his/her goal. Then write S, M, or L to indicate whether it is a short-, medium-, or long-term goal.

Person	Amount to be saved	Amount saved each month	How many months	How many years	Short-, medium-, or long-term
Abby	\$780.00	\$20.00			
Ben	25.00	15.00			
Cherise	700.00	35.00			
Danuka	800.00	70.00			
Emilio	90.00	50.00			
Festis	2,900.00	75.00			

Complete the following exercise about Cherise, based on your calculations in the above grid.

Cherise saves \$35 every month. It will take her _____ months to reach her savings goal of \$700. During those months, she could be spending her money, but instead she sticks to her savings plan. That means that every month she gives up some goods or services that she could have bought with the \$35 she is saving.



In the blanks below, list the opportunity costs Cherise might incur during the months she saves toward her goal. (Be creative. Think of opportunity costs that could be associated with the months. For example, in April her opportunity cost might be a new raincoat for April showers.)

Month	Opportunity Cost	Explanation
January	_____	_____
February	_____	_____
March	_____	_____
April	_____	_____
May	_____	_____
June	_____	_____
July	_____	_____
August	_____	_____
September	_____	_____
October	_____	_____
November	_____	_____
December	_____	_____