

Teacher's Guide

WHEN TO START SAVING

Financial education at school:
An AMF activity for teachers.



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CLASSROOM ACTIVITY

WHEN TO START SAVING



Presentation of workshop

Target audience	Secondary V students
Approximate duration	50 minutes
Description	Students learn good saving habits. Using a calculator, students determine how much money they would have to set aside each year for 34 years to become a millionaire.
Objectives	<ul style="list-style-type: none"> – Define saving and the importance of saving. – Recognize the effect of time on savings growth. – Distinguish needs from desires. – Explain why it's important to save.
Materials required	<ul style="list-style-type: none"> – Board – Computer and Internet connection

Suggested procedure

STEP	ACTIVITY	MATERIALS REQUIRED	APPROXIMATE TIME
1	The teacher presents the theory using the method of his/her choice.	Board	15 minutes
2	Students fill out the Millionaire Workshop worksheet.	The Millionaire Workshop	10 minutes
3	Students participate in The Magic of Compound Interest workshop alone or in teams.	Workshop - The Magic of Compound Interest The magic of compound interest calculator available on Tesaffaires.com	15 minutes
4	Feedback on workshop results.	Workshop Results	10 minutes



STEP 1

THEORY:

NOTIONS ABOUT SAVINGS

Saving is setting aside money to achieve a specific financial goal.

Some benefits of saving (students can be asked to name them):

- Having enough money to do things you want to do.
- Being independent.
- Living with your goals in mind.
- Having a cushion for unexpected events.
- Avoiding debt.
- Avoiding stress about whether you have enough money.
- Having more freedom to choose (your job, for example).

It all starts with a budget

It's not easy to save if you spend mindlessly. By preparing a budget, you can see at a glance how much money you have left to spend after paying your bills and setting some money aside.

If there are special things you want to do, a budget is an indispensable tool to help you achieve your goals.

What people say about saving and budgets

Before starting this section, ask students to decide if each myth on the “**Millionaire Workshop**” sheet is true or false.

Then discuss each myth to explain the millionaire mindset. While you're talking, students can participate by saying what a future millionaire thinks about each myth regarding budgets and savings.

Urban myth	Millionaire mindset
I'm too young to save money.	<p>False! When you're young and life is ahead of you, it's important to get off on the right foot and start saving. By putting money aside regularly, over time you can build up a nice nest egg. And, the longer you save, the more interest you earn. Saving simply becomes a good habit.</p> <p>The younger you are, the more it pays to save.</p>



Urban myth	Millionaire mindset
<p><i>I should fulfill my desires first, then meet my needs.</i></p>	<p><i>Needs</i> are essential or vital to our survival, such as eating and having a place to live.</p> <p><i>Desires</i>, which are completely separate from our needs, correspond to a wish or a spontaneous and sometimes impulsive pleasure.</p> <p>The object of our desire is not indispensable to our well-being or our survival but we're attracted to it and we want to fulfill it.</p> <p>Students can be asked for examples.</p> <p>Going to a show – Eating in a restaurant – Buying a video game</p> <p><i>Our needs assure our well-being and our survival; it's better to meet them first.</i></p>
<p><i>Savings are only for people that make a lot of money.</i></p>	<p>In fact, the amount people save is not necessarily related to their income. That's good news since you can save even if you don't make a lot of money.</p> <p>To give yourself the best chance, you have to pay yourself first. That means that every time you receive money, you put some aside right away.</p> <p><i>Anyone can save.</i></p>
<p><i>A budget will prevent me from doing things I want to do.</i></p>	<p>On the contrary, having things you want to do gives you excellent reasons to prepare a budget:</p> <ul style="list-style-type: none"> – Understand where your money's going. – Do not spend more than you earn. – Do things you want to do. – Set your own limits. – Avoid needless expenses. – Plan. <p>Some not so good excuses...</p> <ul style="list-style-type: none"> – Too long. – Too complicated. – Too boring ... <p><i>A budget is an indispensable tool to help you do the things you want to do!</i></p>
<p><i>You have to be an accountant to prepare a budget.</i></p>	<p>Anyone can prepare a budget. All you have to do is carefully follow these steps:</p> <ol style="list-style-type: none"> 1- Calculate your monthly income 2- Take a look at your expenses 3- Calculate the available amount for savings by subtracting your expenses from your income 4- Make adjustments (Is the difference positive or negative? What should I adjust?) <p><i>A budget is for everyone!</i></p>
<p><i>If I can't live with my budget, I'm going to forget about it.</i></p>	<p>Remember, your budget is yours to help you achieve your goals and do things you want to do. It's normal to underestimate or overestimate certain expenses. Also, a budget should take into account some unexpected events. In short, a budget must be realistic.</p> <p><i>A budget can be adjusted!</i></p>

By starting early to put money aside regularly, you can use interest earnings to increase your savings and achieve goals while meeting your needs.



STEP 2

THE MILLIONAIRE WORKSHOP

While your teacher is talking, write down the millionaire mindset for each urban myth discussed.



Urban myth	What I think	What a future millionaire thinks
I should fulfill my desires first, then meet my needs.	<input type="checkbox"/> True <input type="checkbox"/> False	
A budget will prevent me from doing things I want to do.	<input type="checkbox"/> True <input type="checkbox"/> False	
I'm too young to save money.	<input type="checkbox"/> True <input type="checkbox"/> False	
Savings are only for people that make a lot of money.	<input type="checkbox"/> True <input type="checkbox"/> False	
If I can't meet my budget, I'm going to forget about it.	<input type="checkbox"/> True <input type="checkbox"/> False	
You have to be an accountant to prepare a budget.	<input type="checkbox"/> True <input type="checkbox"/> False	



STEP 3

WORKSHOP - THE MAGIC OF COMPOUND INTEREST

The magic of compound interest makes time work for you. Interest is calculated not only on your investment, but also on the interest you've earned. Here is an example:

Jade works part-time in the meat department of a grocery store. She has set aside \$3,000, which she invests in a guaranteed investment certificate at 4% interest to help her pay for university in 3 years.

What will her investment be worth at the end of 3 years?

Here's how to do the calculation:

Year 1 $\$3,000 \times 4\% = \120 ; the investment is worth \$3,120

Year 2 $\$3,120 \times 4\% = \124.80 ; the investment is worth \$3,244.80

Year 3 $\$3,244.80 \times 4\% = \129.79 ; the investment is worth **\$3,374.59**

A millionaire by age 50!

Use the magic of compound interest calculator on the **Tesaffaires.com** website to find out how much money you'll have to set aside each year for 34 years to become a millionaire:

A- For an investment earning 3% per year: \$_____

B- For an investment earning 6% per year: \$_____

Try different amounts until you find the answer!

STEP 4

WORKSHOP RESULTS

A millionaire by age 50!

Use the magic of compound interest calculator on the **Tesaffaires.com** website to find out how much money you'll have to set aside each year for 34 years to become a millionaire.

A- For an investment earning 3% per year

Solution:

Enter 3% in the second field of the calculator.

Enter 34 (years) in the third field of the calculator.

The student then has to guess how much he has to invest (in the first field) to become a millionaire. If the amount invested does not give a million, he has to increase his investment.



Calculator - The magic of compound interest

If I invest \$ per year

at a % interest rate.

After year(s) I will have **1 000 033.29\$**.

STEP 4

WORKSHOP RESULTS

B- For an investment earning 6% per year

Solution:

Enter 6% in the second field of the calculator.

Enter 34 (years) in the third field of the calculator.

The student then has to guess how much he has to invest (in the first field) to become a millionaire. If the amount invested does not give a million, he has to increase his investment.



Calculator - The magic of compound interest

If I invest \$ per year

at a % interest rate.

After year(s) I will have **1 000 097.37\$**.

SUPPLEMENT

– Ask students to produce a one-minute video or prepare a poster encouraging young people to start saving now.

ADDITIONAL RESOURCES

Other educational tools are available at tesaffaires.com, in the Teachers' section.

