

LESSON ONE: SAVINGS

THE POWER OF SAVINGS

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- Students will learn about simple savings plans and the importance of compound interest
- Tips on earning money – what options and resources are available to help students earn money

Reaching Your Goal - The Power of Savings

Are you trying to save money for a car, a new cell phone, or even college - but aren't sure how to get there? The key to achieving your financial goals is to break them down into manageable steps.

Step 1: What is your goal?

Step 2: When do you want or need to achieve it by?

Step 3: How much money do you need?

Step 4: How much money do you need to save each month?

Step 5: What can you do to make money each month?

Step 6: Are there areas of spending you can cut back on to reach your goal?

Financial Goals: Your financial goals can be broken down into 3 categories:



One of the best ways to save money, and not spend it, is to put it in a savings account. Keeping cash stashed away means that it's readily available on a whim when you may have a lapse in judgement. Sure, going to the movies and out to dinner today may seem fun, but you might regret the financial setback tomorrow.

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Three Common Savings Accounts:



Traditional Savings: A traditional savings account is easy to set up and maintain. Some banks require a minimum monthly balance, and the interest rate is typically low.

Money Market Account: A hybrid checking/savings account that provides a higher interest rate while keeping your money safe and FDIC insured. These accounts typically have a higher minimum monthly balance requirement, and may have fees associated with the account.

Certificate of Deposit (CD): A CD is a savings certificate entitling the bearer to receive interest once the CD has matured. A CD bears a maturity date, a specified fixed interest rate, and can be issued in any denomination. The term of a CD generally ranges from one month to five years. The amount of interest a CD pays depends on its term, with longer terms generally paying higher rates. Taking your money out of a CD before it matures will often cost you money in the form of a penalty.

When you put money away in a savings account you earn compound interest. Compound interest is interest calculated on the initial deposit, plus on the accumulated interest of previous periods. The longer your money is in a savings account, the more interest you will make month to month.



How to Earn Money:

One of the simplest ways to earn money to put towards your goal is to get a part time job. Some great first time jobs include: retail/grocery store cashier, movie theater attendant, food service worker, or working in a restaurant bussing tables, washing dishes, or seating patrons.

Setting aside some or all the money you receive as gifts is another simple way to save money towards your goal. Or if you receive an allowance, putting aside a portion of that money for your goal is a great idea.

If you aren't able to get a steady part time job, consider doing odd jobs for some of your neighbors or family members. Some jobs may include: mowing lawns, leaf clean up, shoveling snow, trimming shrubs, babysitting, or dog walking. See what options are available in your neighborhood.

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SAVINGS ACTIVITY

For each example below, determine if the goal is short-term, medium-term, or long-term. Write your answer in the space provided.



SHORT-TERM



MEDIUM-TERM



LONG-TERM

A graduation present for your older sibling:

Spending money for a family vacation in August:

A used car you'll purchase once you turn 18:

Books for your freshman year of college:

Tickets to see a concert (they go on sale in 3 months):

Christmas presents for your family:

A season pass to an amusement park (purchasing in 9 months):

Now think of something that you want to buy that you need to save up for. Using the Six Steps, outline how you can achieve your goal.

1. What is your goal?

2. When do you want or need to achieve it by?

3. How much money do you need?

4. How much money do you need to save each month?

5. What can you do to make money each month?

6. Are there areas of spending you can cut back on to reach your goal?

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