Instructor Guide

PAY YOURSELF FIRST

FDIC Money Smart for Young Adults

Building: Knowledge, Security, Confidence

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Module 4: Pay Yourself First Layering Table

Please read the Layering Table Instructions in the Guide to Presenting Money Smart for Young Adults.

Pages	Time (Min.)	Topic	Subtopic & Activities	Target Audiences
12-14	5	Checking In		• Everyone
15-17	10	Overview of Saving	The Meaning of "Pay Yourself First" Benefits of Paying Yourself First • Activity 1: Pay Yourself First Worksheet	• Anyone who needs to understand the importance of saving money.
18-19	5	Savings Tips	How Can I Save? • Activity 2: Savings Tips	• Anyone who needs help finding ways to save.
19-24	20	How Your Money Can Grow	Interest, Compound Interest • Activity 3: Interest • Activity 4: Saving $1 and $5 a Day Annual Percentage Yield (APY) Rule of 72	• Anyone unfamiliar with how savings in a bank can grow • Those with or planning to open savings accounts who are interested in getting the most from their money
25-32	20	Savings Options	Open a Savings Account • Activity 5: Four Savings Products • Activity 6: Special Accounts Buy an Investment Before You Invest Investment Products • Activity 7: EE Bonds • Activity 8: Investment Products How to Choose the Best Investment • Activity 9: Investment Issues to Consider Other Investments	• Those planning to open any type of savings account • Anyone with a savings account of any type who may be interested in other options to save or invest • Anyone interested in different types of available investments
32-33	10	How to Create a Savings Action Plan	Decision Factors • Activity 10: Pay Yourself First Action Plan	• Anyone who wants to save money, such as to finance a purchase.
34	5	Conclusion		• Everyone
35	5	Knowledge Check		• Everyone

Getting Started

Purpose

The *Pay Yourself First* module helps students identify ways they can save money and introduces savings options that they can use to save toward their goals.

Objectives

After completing this module, you will be able to:

- Explain why it is important to save.
- Determine goals toward what you want to save.
- Identify savings options.
- Determine which savings options will help you reach your savings goals.

Presentation Time

The total time is 90 to 110 minutes, depending on how long it takes students to complete the exercises. You will see a time listed for each topic in the "Increasing Your Wealth" section. Use these times to personalize the lessons in order to fit your given time period.

Materials and Equipment

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

Module Activities

- Pay Yourself First Worksheet
- Savings Tips
- Interest
- Saving $1 and $5 a Day
- Four Savings Products
- Special Accounts
- EE Bonds
- Investment Products
- Investment Issues to Consider
- Pay Yourself First Action Plan

Important Note

In this module you will give the class examples that include monetary amounts. Since most people have difficulty with facts and figures, be sure to show these amounts on the board or on chart paper.

Icons

The following icons are used throughout the Instructor Guide and Participant Guide to indicate what type of activity will be conducted.

Learning Objectives
This is a short list of what you will be teaching during the lesson.

Flip Chart
Brainstorm about a topic, draw a diagram, or write important points for students to remember.

Presentation
Present information or demonstrate an idea.

Review
Summarize the material learned in the module with your students.

Activity
Complete a small project or activity to learn more about the topic.

Assessment
Show what you know! Take a short quiz about what you've learned.

Discussion
Talk in a small or large group about the topic.

Ask a Question
This is a problem or question that you should ask students during the discussion.

Character Usage

The following characters will be used in the situational comic strips in the module to show the students a real-world application of the content.

Jasmine

Jasmine is an 11th grade student at Lakeview High School. Her activities include hanging out with friends and going shopping. In school, her favorite subject is English and she also swims on the swim team. She works part time on the weekends around the holidays in her aunt's gift shop nearby and has a younger brother named Dominique. Jasmine wants to go to college in-state and plans to be an exercise physiologist.

Todd

Todd, a sophomore at Lakeview High School, is shy with a very sarcastic sense of humor. He is always avoiding social situations because he comes from a lower-income family and cannot afford to do the things the other teens are doing. He is very intelligent and is planning to attend college, but he is not sure how he will pay for it or where he will go. Todd works two part-time jobs at a fast food restaurant and the local grocery store and is saving all he can for college.

Ramón

Ramón was born in the U.S. but his parents are from Peru; they came here when they were teenagers themselves. Ramón is 18 and preparing to graduate from Lakeview High School. He will be attending college on a soccer scholarship to study mechanical engineering since his dream job is to work for NASA. Ramón has a little sister, and an older brother who is a pilot in the Air Force. He likes to take his girlfriend to the movies or to play mini golf with money he earns working as a technician at a local computer shop.

Grace

Grace is an artistic student who wants to go to Fashion Design School after she graduates high school, but her parents want her to go to college. She doesn't really fit in to the "high school scene," but the teachers really see potential in her to do great things. She works at a clothing store at the mall and spends the rest of her time on her fashion sketches. Since her parents are totally against Grace going to Fashion Design School, she is very careful with her money so she can continue to buy design supplies.

Pre-Assessment

1. What is interest?
   a. The percentage of money you have in your account.
   b. The amount of money you save when you open an account.
   c. The amount of money banks pay you for keeping money on deposit with them.
   d. The amount of money you pay in order to keep your money with a bank or other financial institution.

2. What is the Rule of 72?
   a. A formula that lets you know how long it will take for your savings to double in value.
   b. A rule banks and other financial institutions use to determine interest rates.
   c. A formula to figure out how much money you can save.
   d. A rule you can use in order to determine the annual percentage yield (APY).

3. Before investing, you should do which of the following?
   a. Ask your employer about how you can invest.
   b. Talk to your bank or a reputable financial adviser.
   c. Open a new savings account.
   d. Buy a house.

4. This is an account in which you leave your money for a set term and cannot make withdrawals or deposits during the term.
    a. Club Account.
    b. Money Market Account.
    c. Certificate of Deposit (CD).
    d. Statement Savings Account.

5. This is the product designed for investing money over a long period of time so that you will have money to live on when you are no longer working.
    a. Bonds.
    b. Stocks.
    c. Mutual Funds.
    d. 401(k) Funds.

Checking In

Welcome

Welcome to *Pay Yourself First*! 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.

Slide 1: Pay Yourself First

Introduction

Introduce yourself and share a little of your background and experience.

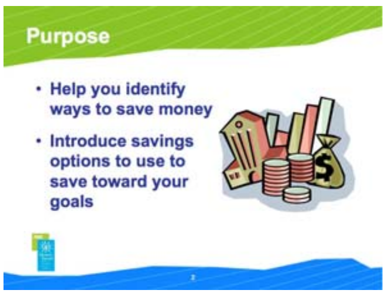
Student Introductions

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

Ask students to introduce themselves and state their expectations, questions, and/or concerns about what will be covered during the training. If there is anything that will not be covered in the course, tell students where the information can be obtained (e.g., another module, a Web site). Record their course-related expectations, questions, and concerns on chart paper and tape to the walls in the classroom.

Purpose

The *Pay Yourself First* module will help you identify ways you can save money. It will also introduce savings options that you can use to save toward your goals.

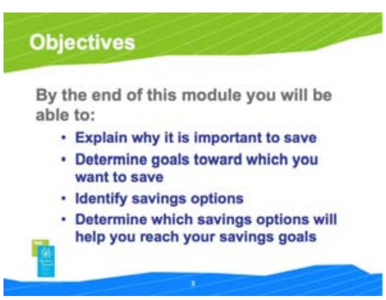


Slide 2: Purpose

Objectives

After completing this module, you will be able to:

- Explain why it is important to save.
- Determine goals toward what you want to save.
- Identify savings options.
- Determine which savings options will help you reach your savings goals.



Slide 3: Objectives

Agenda and Ground Rules

This course has a lot of important information and it may take us longer than one class period to get through all of it, depending on how long it takes us to get through the exercises and activities. I will be using a variety of training methods. I will be presenting material to you in the form of lectures. There will also be classroom and small group discussions and exercises that give you a chance to practice what you have learned.

If you have experience or knowledge in some aspect of the training 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 contribution to the class will make the learning experience that much better.

Student Materials

Refer students to the Participant Guide. Review its contents and organization.

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

- Materials and instructions you will need to complete the exercises.
- Checklists and tip sheets related to the module content
- Space for you to take notes.
- A glossary of the terms used in this module.

Do you have any questions about the module overview?

Refer students to comic strip on Slide 4.

Increasing Your Wealth

10 minutes

Overview of Saving

The Meaning of "Pay Yourself First"
What do you think it means to "pay yourself first"?

Acknowledge students' responses.

Paying yourself first means that when you get a paycheck, you put some of that money in a savings account before you pay your bills or buy things that you want.

Slide 5: Pay Yourself First

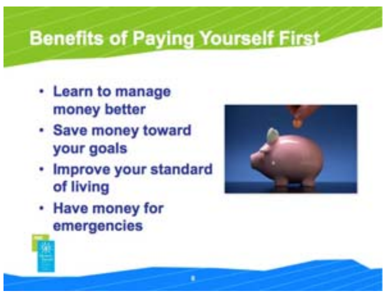
Why would you want to pay yourself first before paying bills or making a purchase?

Write students' responses on chart paper.

Benefits of Paying Yourself First

There are many reasons to pay yourself first. You can:

- Learn to manage money better.
- Save money toward identified goals.
- Improve your standard of living.
- Have money for emergencies.



Slide 6: Benefits of Paying Yourself First

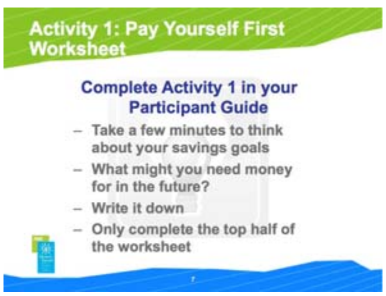
What are some of the things people save money for?

Write students' responses on chart paper. If the following are not mentioned, add:

- *Unexpected events such as loss of job, car repair, or hospitalization.*
- *Down payment for a house, car, or other large purchase.*
- *College.*
- *Vacation.*
- *Retirement.*

Now that we have looked at some reasons to save, let's apply some of those reasons to our own personal circumstances.

Refer students to Activity 1: Pay Yourself First Worksheet on page 22 in their Participant Guide.
See page 38 in your Instructor Guide.



Slide 7: Activity 1

Activity 1: Pay Yourself First Worksheet
Let's look at the Pay Yourself First Worksheet in your Participant Guide. Take a few minutes to think about and write down your goals for the future for which you need to save money. Fill in the top half of the worksheet only.

Give students 2 minutes to write down their goals. You can write down your goals as well. Use Activity 1 to guide you. Ask for volunteers to share their goals with the class. Share some of your goals with the class.

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

5 minutes

Savings Tips

How Can I Save?
Many people spend all the money they make, but saving is important. Some people believe they do not have enough money to start saving.

Activity 2: Savings Tips
What are some things you can do to start saving money?

Write students' responses on chart paper.

Those are great ideas. Let's look at some more. You can follow along in your Participant Guide as I talk about the first few tips.

Review the tips with students, using Activity 2 to guide you.

Refer students to Activity 2: Savings Tips on page 23 in their Participant Guide. *See page 39 in your Instructor Guide.*

Slide 8: Activity 2

Do you have any questions about these tips and strategies?

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

Refer students to Activity 1: Pay Yourself First Worksheet on page 22 in their Participant Guide.
See page 38 in your Instructor Guide.

Let's go back to the Pay Yourself First Worksheet and fill in the second half. Write down some ways to save for the goals you have already identified, using the tips and strategies we have just discussed.

You can write down ways you can save to achieve your goals as well. Use Activities 1 and 2 to guide you. Ask for volunteers or call on students to share their ideas on how they plan to save. Give the class an example from your own experience to get them started.

We have talked about why it is important to save and have identified some tips for saving money. Now let's look at the real benefit of saving money – how your money can grow.

20 minutes

How Your Money Can Grow

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.

Slide 9: Interest

Interest

Interest is an amount of money banks or other financial institutions pay you for keeping your money on deposit with them. Interest is expressed as a percentage and is 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, providing that it has not been lost or stolen. Your mattress is not paying you interest for keeping your money under it. What if the mattress happened to catch on fire with your money under it?

Slide 10: Compound Interest

Compound Interest

Now let's talk about the power of compounding. 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. But not all savings accounts are created equal. This is because interest can be compounded daily, monthly, or annually.

Refer students to Activity 3: Interest on page 25 in their Participant Guide.
See page 41 in your Instructor Guide.

Activity 3: Interest
Let's look at several charts that will help you understand how compound interest works.

Review the Annual vs. Daily Compounding chart with students, using Activity 3 to guide you.

The first chart we are going to take a look at is the Annual vs. Daily Compounding chart.

- $1,000 compounded annually at 5 percent earns you $50 in interest at the end of the year. Interest has been calculated once, at the end of the year. This is more than if you had kept it under your mattress.

Slide 11: Activity 3

Refer students to the Compounding Interest Over Time chart in their Participant Guide. Describe how interest adds up based on how often it is compounded and how long it remains in the account.

- If you deposit $1,000 in an account that has daily compounding, at the end of the day you would have $1,000.14.
- The next day, the interest would be calculated based on the amount of your original deposit PLUS the previously earned interest − $1,000.14, rather than just $1,000.
- By the end of the year, you will have $1,051.27. The extra $1.27 does not seem like much, but the next chart shows how it can add up over time.

Refer students to Activity 4: Saving $1 and $5 a Day on page 26 in their Participant Guide.

See page 42 in your Instructor Guide.

Slide 12: Activity 4

	No Interest	5% Daily Compounding
Year 1	$365	$374
Year 5	$1,825	$2,073
Year 10	$3,650	$4,735
Year 30	$10,950	$25,415

Slide 13: Saving $1 a Day

	No Interest	5% Daily Compounding
Year 1	$1,825	$1,871
Year 5	$9,125	$10,366
Year 10	$18,250	$23,677
Year 30	$54,750	$127,077

Slide 14: Saving $5 a Day

Activity 4: Saving $1 and $5 a Day
You do not need $1,000 to see the power of compounding. The next chart shows that even small amounts of savings add up.

Explain how much $1 grows the longer it is saved. Explain how much $5 grows the longer it is saved. Use Activity 4 to guide you.

Look at what happens when you save just $1 a day at 5 percent interest that compounds daily. At the end of one year, you made an extra $9 in compound interest. The real power of compounding shows at the end of 30 years. You made an extra $14,465!

The next chart shows what happens to your money when you save just $5 a day at 5 percent interest that compounds daily. The chart shows a difference of only $46 at the end of the first year. However, compounding daily after 30 years will give you an extra $72,327!

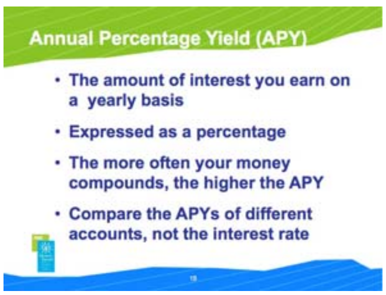
You may or may not currently have a savings account, but it's never too early to start saving! We will talk about other savings options later.

Do you have any questions about compound interest?

Annual Percentage Yield (APY)

Another important concept you need to know about is annual percentage yield (APY).

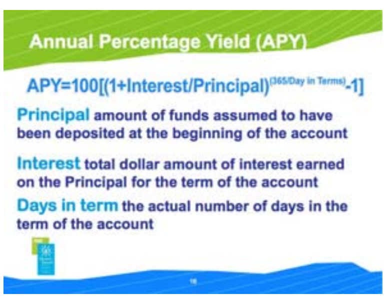
APY reflects the amount of interest you will earn on a yearly basis. It is expressed as a percentage.



Slide 15: Annual Percentage Yield (APY)

- 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.

Calculating APY is optional material. Use your discretion to determine if it is appropriate for your students.



Slide 16: Annual Percentage Yield (APY)

Here's how to calculate APY:

$$\text{APY} = 100\left[(1 + \text{Interest/Principal})^{(365/\text{Days in term})} - 1\right]$$

- **Principal** is the amount of funds assumed to have been deposited at the beginning of the account.
- **Interest** is the total dollar amount of interest earned on the Principal for the term of the account.
- **Days in term** is the actual number of days in the term of the account.

When the days in term is 365, the annual percentage yield can be calculated by use of the following simple formula:

$$\text{APY} = 100\ (\text{Interest/Principal})$$

For example, if a bank pays $61.68 in interest for a 365-day year on $1,000 deposited into an account, using the general formula above, the annual percentage yield is 6.17%:

$$\text{APY} = 100[(1 + 61.68/1{,}000)^{(365/365)} - 1]$$
$$\text{APY} = 6.17\%$$

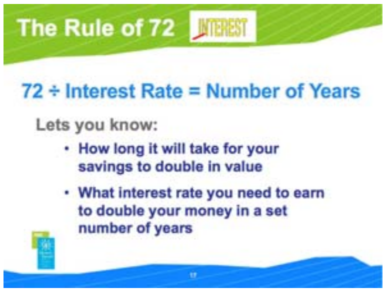
Or, using the simple formula above since, as an account without a stated term, the term is deemed to be 365 days:

$$\text{APY} = 100(61.68/1{,}000)$$
$$\text{APY} = 6.17\%$$

If you are planning on opening a savings account or want to get more out of the one you already have, ask your bank's customer service representative for the Truth in Savings disclosures. These disclosures list the APY and other important information that you should know about the accounts you are interested in. 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 and interest is compounded once a year.



Slide 17: Rule of 72

Here is how you calculate it:

- Divide 72 by the current interest rate to determine the number of years that it will take to double your initial savings amount.

72 ÷ interest rate = number of years

- For example, if you invest $50 in a savings account at a 4 percent interest rate, it will take 18 years for your initial savings of $50 to double.

$$72 \div 4 = 18$$

You can also find out how much compound interest you need to have when you know how many years you want your initial savings amount to double.

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.

$$72 \div 12 = 6$$

Let’s see if you can figure out the interest rate you need to double your money.

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

Answer: 72 ÷ 20 = 3.6 percent

Do you have any questions about the Rule of 72?

If the question is raised, the number 72 was determined due to a series of detailed mathematical equations that involve basic calculus.

There are many other terms related to savings and interest in the glossary in the back of the Participant Guide. When you get home, take some time to review them.

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

20 minutes

Savings Options

There are two basic ways to save money. You can open a savings account at a federally insured bank or credit union or you can invest your money. An important difference between the two is that savings accounts are federally insured and investments are not.

Slide 18: Two Ways to Save

Let's take a look at savings accounts first.

Open a Savings Account

We have already seen that, with a savings account, you make money by earning interest. The bank pays you interest for the opportunity to use your money. A savings account also ensures that your money is safe and that you have easy access to it.

Slide 19: Savings Accounts

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

This means that if your financial institution goes out of business, the FDIC or NCUA will make sure that you get your money.

The FDIC has an online tool called **Electronic Deposit Insurance Estimator (EDIE)**. EDIE lets you calculate the insurance coverage of your accounts at each FDIC insured institution.

Write the Web address http://www2.fdic.gov/edie/ on chart paper.

Let's look at four savings products available at most banks.

Refer students to Activity 5: Four Savings Products on page 27 in their Participant Guide.
See page 43 in your Instructor Guide.

Slide 20: Activity 5

Activity 5: Four Savings Products

You are probably already familiar with some of these. What I would like to do is have you try to match the name of the account with its description. Do not worry if you do not know the answer. I will give you the right answers.

Review the instructions with students using Activity 5 to guide you. Give students five minutes to complete the activity. Provide the correct answers and additional information.

Answer questions from the students.

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

Do you have any questions about these savings products?

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

Refer students to Activity 6: Special Accounts on page 28 in their Participant Guide.
See page 44 in your Instructor Guide.

Slide 21: Activity 6

Activity 6: Special Accounts

Skip Activity 6 if not relevant for your audience.

Although you might not be planning for your future now, it is never too early to think about how you will save money. There are two special accounts that will help you save money:

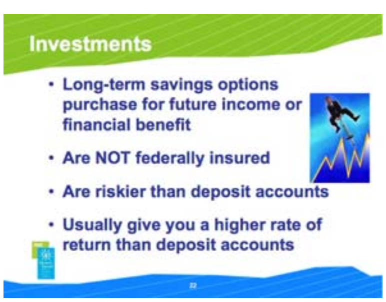
- The Individual Development Account (IDA).
- The 529 College Savings Plan.

Follow along as I read out the major features of these accounts. I am not going to read everything, just enough so that you know what these accounts are. When you get home, you can read the rest of the information about them.

Review this information with students. Use Activity 6 to guide you. Provide any information about special accounts offered by local financial institutions.

Do you have any questions about these special accounts?

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



Slide 22: Investments

Buy an Investment

You've probably heard a lot about investing and how sometimes it can be good or bad. It is important to be well-informed before making an investment. You probably do not have the extra money to begin investing now, but you will soon and this information is very important for your financial success and stability.

An investment is a long-term savings option that you purchase for future income or financial benefit. Many banks now sell investment products, such as mutual funds.

- We saw earlier that 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, there is a possibility that you might lose the entire amount you invest if the investment does not perform well.
- But because of the risk you take when you invest your money, your investment may earn and grow more than a regular savings account. 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 paid for them, or by earning dividends and interest. The money you earn is considered income; therefore, you may have to pay taxes on it

Before You Invest

If you are interested in learning more about investment products, talk to:

- Your bank
- A reputable financial advisor, or
- An investment firm

When you become employed, ask your employer about any retirement accounts that are offered through your job. Retirement accounts, such as a 401(k), typically require you to be a full-time employee so you may not be eligible until after college or when you have a full-time job. You can also do your own research on investments. A public library or the Internet is a good place to start.

Slide 23: Investment Products

Investment Products

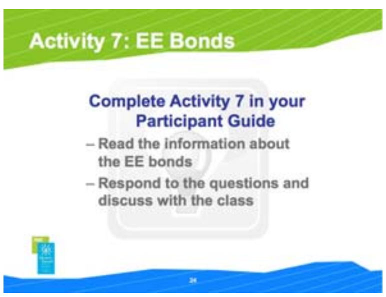
Let's look at some more popular types of investment products that you can buy:

- Bonds
- Stocks
- Mutual funds
- Retirement investments

Most financial advisors recommend that, before you buy any of these investment products, you should have a savings cushion that will allow you to pay your expenses for two to six months. Any money you have saved beyond this amount can be used for investing. Because of this, you will want to wait until you are financially stable before investing. In case of an emergency, sudden illness, or job loss, you always want to be able to support yourself.

While you might find this cushion hard to attain, even a small rainy day fund is important. So save your pennies now because it will all pay off when you begin your career and need to borrow from yourself for unexpected expenses.

Refer students to Activity 7: EE Bonds on page 31 in their Participant Guide.
See page 47 in your Instructor Guide.



Slide 24: Activity 7

Activity 7: EE Bonds
You might already know a little about investment products. You saw in the comic at the beginning of the module that Jasmine received a $100 savings bond from her grandmother. What does this mean? There are two kinds of savings bonds, I bonds and EE bonds. Let's review what an EE Bond is and how it is used. We will discuss other investment products later in the lesson.

Review the instructions with the students. Give students a few minutes to read the information. Go through each of the questions and ask students for their responses. Make sure students understand that paper EE bonds are purchased at half the face value and are not worth the full amount until they have matured (one year or longer). Use Activity 7 to guide you.

Refer students to Activity 8: Investment Products on page 32 in their Participant Guide.
See page 48 in your Instructor Guide.

Activity 8: Investment Products
Let's look a little more closely at each of the investment products. We are not going to cover everything about these products today, just enough so that you know what they are and how to obtain additional information.

Review the different types of investment products using Activity 8 to guide you. Divide the class into eight groups. Write each of the eight investment products on the top of separate sheets of flip chart paper and post around the room. Instruct each group to come up with a list of points to describe their assigned

Slide 25: Activity 8

investment product. Each group will then present what they found to the class so all students have an understanding of each type of investment product.

If your students are knowledgeable of investments and need a greater challenge, each group should take the position that their investment is better than another. Instruct the group to "sell" their investment to the class by presenting the pros and cons of the investment product. The class can then decide if they should buy it or if it would be a good investment and you should record the responses on a chart paper.

Do you have any questions about these investment products?

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

How to Choose the Best Investment

Investments can benefit you financially, but you need to be well prepared and ready to take on the responsibility. Do not rush into any investment. Make sure you know all things to consider when choosing an investment.

Refer students to Activity 9: Investment Issues to Consider on page 36 in their Participant Guide. *See page 52 in your Instructor Guide.*

Activity 9: Investment Issues to Consider

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

Review the strategies with students. Use Activity 9 to guide you.

Slide 26: Activity 9

Refer students to the Paying for College and Cars *module and* A Roof Over Your Head *for more information.*

Do you have any questions about these investment issues?

Other Investments

Owning a home or business are two additional ways to invest. Why do you think owning a home is an investment?

Acknowledge students' responses.

Slide 27: Other Investments

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.

Write example on chart paper.

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
Minus Debt (how much you owe)	– $200,000
Equity	= $ 50,000

Owning a business is an investment as well. Starting a business can be risky. If planned and managed correctly, however, the business has the potential to increase your future financial security.

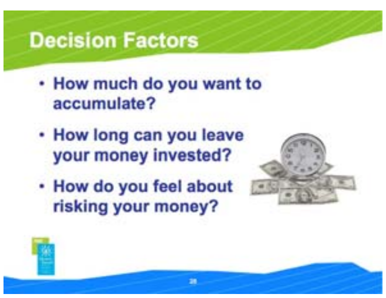
These are things to think about as you become adults. Purchasing a home and opening a business may be things you want to think about after college or when you enter the work force.

Do you have any questions about the investments and strategies we have discussed today?

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

10 minutes

How to Create a Savings Action Plan



Slide 28: Decision Factors

Decision Factors

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

- How much money do you want to accumulate over a certain period of time? You can figure this out by using the Rule of 72. This rule tells you how long it will take for your savings to double in value. It also tells you what interest rate you will need when you know in how many years you want your money to double.
- How long can you leave your money invested? If you have some money you will not need for several years, you might consider investment options such as stocks, bonds, or mutual funds. On the other hand, if you think you might need access to your money right away, it might be best for you to keep it in a savings account where you have immediate access to it.
- How do you feel about risking your money? As we have seen, if you are not comfortable with risk and cannot afford to lose the money, you might consider depositing your money in an insured financial institution. You will need to shop around for the account that best meets your needs.

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

Refer students to Activity 10: Pay Yourself First Action Plan on page 37 in their Participant Guide.
See page 53 in your Instructor Guide.

Slide 29: Activity 10

Activity 10: Pay Yourself First Action Plan

We are going to use the Pay Yourself First Action Plan to write down the action steps we intend to take to save toward our goals.

Review the form with students, using Activity 10 to guide you.

The top half of the plan gives you space to record answers to decisions you need to make before deciding on the steps you will take. The bottom half of the plan gives you space to record the steps you can start taking now, a month from now, and a year from now.

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.

Give examples of steps students can take to save now, a month from now, and a year from now.

What can you do by the end of the month to save? What can you do by the end of the year to save? Take a few minutes to begin answering the questions on the form.

Give students a few minutes to complete the worksheet. Write down some action steps for yourself. Ask for volunteers to share and/or share some of the steps you wrote.

Do you have any final questions about paying yourself first?

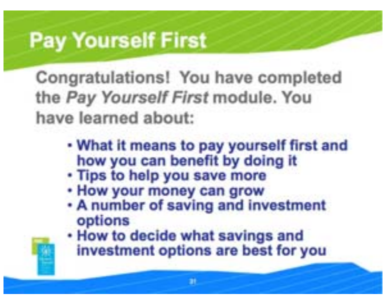
Refer students to comic strip on Slide 30.

Checking Your Balance

Module Summary

Congratulations! You have completed the *Pay Yourself First* module. We have covered a lot of information today about how to save for the future. You learned:

- 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.



Slide 31: Pay Yourself First

Review what was covered in the module. Review the chart papers with students' expectations, questions, and concerns to make sure they have all been covered.

You should now be able to take this information and begin saving!

Do you have any final questions?

Slide 32: Assess Your Knowledge

Knowledge Check

1. What is interest?
    a. The percentage of money you have in your account.
    b. The amount of money you save when you open an account.
    c. The amount of money banks pay you for keeping money on deposit with them.
    d. The amount of money you pay in order to keep your money with a bank or other financial institution.

2. What is the Rule of 72?
    a. A formula that lets you know how long it will take for your savings to double in value.
    b. A rule banks and other financial institutions use to determine interest rates.
    c. A formula to figure out how much money you can save.
    d. A rule you can use in order to determine the annual percentage yield (APY).

3. Before investing, you should do which of the following?
    a. Ask your employer about how you can invest.
    b. Talk to your bank or a reputable financial adviser.
    c. Open a new savings account.
    d. Buy a house.

4. This is an account in which you leave your money for a set term and cannot make withdrawals or deposits during the term.
   a. Club Account.
   b. Money Market Account.
   c. Certificate of Deposit (CD).
   d. Statement Savings Account.

5. This is the product designed for investing money over a long period of time so that you will have money to live on when you are no longer working.
   a. Bonds.
   b. Stocks.
   c. Mutual Funds.
   d. 401(k) Funds.

Course Activities

Activity 1: Pay Yourself First Worksheet

My savings goals:

I can use these tips to save toward my goals:

Activity 2: Savings Tips

General Tips

- 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 a lot?
  - Can you cut back on daily expenses, such as coffee, candy, or soda?

- If you receive cash as a gift, save at least part of it.

When You Are On Your Own

- Pay your bills on time. This saves the added expense of:
  - Late fees.
  - Extra finance charges.
  - Disconnection fees for utilities such as phone or electricity and fees to reestablish connection if your service is disconnected.
  - The cost of eviction or repossession.
  - Calls from bill collectors and collection letters.

- 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!
  - Ask your employer if you can purchase U.S. Savings Bonds through payroll deduction; otherwise, you can at www.treasurydirect.gov.

- Consider opening a checking account at a bank or credit union instead of check-cashing stores. If you use check-cashing stores regularly, you might pay $3 to $5 for each check you cash. This can easily add up to several hundred dollars in fees every year. If you would like more information about checking accounts, review the *Check It Out* module.

- If you get a raise or bonus from your employer, save that extra money.

(continued)

- Avoid debt that does not help build long-term financial security. For example, avoid borrowing money for things that do not provide financial benefits or that do not last as long as the loan. Examples include: a vacation, clothing, and dinners out in restaurants. Examples of debt that helps build long-term financial security include:
    - Paying for college education
    - Buying or remodeling a house
    - Buying a car to get to work

- If you have paid off a loan, keep making the monthly payments to yourself. You can save or invest the money for your future goals.

- Save your change at the end of the day. Take that change and deposit it into the bank every week or month.

- When you get a tax refund, save it rather than spend it.

- If your work offers a retirement plan, such as a 401(k) or 403(b) plan that deducts money from your paycheck, join it! Most employers will match up to $.50 on each dollar you contribute. The matched amount is free money! Even if retirement is 45 years away, this is an excellent way to save. By starting young, you will be able to save more money than if you waited until you were older to start saving; thanks to the power of compound interest that allows money saved early to grow significantly over a longer period of time.

Investing

- If you decide to make investments, do your homework. Know what you are investing in. Get professional advice if you need it. You should have enough money in savings to pay for two to six months of expenses in case of emergency. Make sure you have an emergency savings account before considering investing in non-deposit products.

- If you own stocks, reinvest the dividends to purchase more stocks. Some companies offer an easy way to do this called a **Dividend Reinvestment Program (DRIP)**. This process increases your investment faster, similar to compounding.

- If you are interested in learning about investing, consider joining an investment club. 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).

Activity 3: Interest

Annual vs. Daily Compounding

The more frequently interest compounds, the faster it grows.

Annual Compounding	Daily Compounding
Start with $1,000 at 5%, compounded annually. At the end of the first day, still $1,000 At the end of the year, $1,050.00 – $50 or 5% of $1,000 added to the original deposit	Start with $1,000 at 5%, compounded daily. At the end of the first day, $1,000.14 On the second day, add the interest earned, 14 cents, and compound the total amount – $1,000.14 At the end of the year, $51.27 is compounded and added to $1,000.00 for a total after one year of $1051.27
Total: $1,050.00	**Total: $1,051.27**

Compounding Interest Over Time

	5 years	10 years
Mattress–NO interest	$1,000	$1,000
Annual compounding at 5%	$1,276	$1,629
Monthly compounding at 5%	$1,283	$1,647
Daily compounding at 5%	$1,284	$1,649

Fourteen cents adds up over time when compounded daily!

Activity 4: Saving $1 and $5 a Day

Saving $1 a Day

	No Interest	**5% Daily Compounding**
Year 1	$365	$374
Year 5	$1,825	$2,073
Year 10	$3,650	$4,735
Year 30	$10,950	$25,415

Saving $5 a Day

	No Interest	**5% Daily Compounding**
Year 1	$1,825	$1,871
Year 5	$9,125	$10,366
Year 10	$18,250	$23,677
Year 30	$54,750	$127,077

Activity 5: Four Savings Products

Instructions
Refer to the list of savings products on the slide. Fill in the blank with the name of the savings product that best describes it.

1. This is an account you join to save money for a special reason, such as a holiday, family vacation, or college. These accounts usually require you to make regular deposits.

Answer: Club Account

2. This is an account in which you leave your money for a set period of time, such as 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 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)

3. This account usually pays a higher rate of interest and usually requires a higher minimum balance to earn interest than a regular savings account. 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

4. This account earns interest, and you will usually receive a quarterly statement that lists all your transactions – withdrawals, deposits, fees, and interest earned.

Answer: Statement Savings Account

Activity 6: Special Accounts

Individual Development Account (IDA)

What is an Individual Development Account?
Individual development accounts (IDAs) are matched savings accounts. When an account is matched, it means another organization, such as a foundation, corporation, or government entity agrees to add money to your account to match the money you save in it.

Note: IDA programs are not available in all communities, income restrictions apply, and the ability to enroll in a program can be competitive.

Why would an organization do that?
Organizations will 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 achieve self-sufficiency.

What can I use IDAs for?
If you open an IDA, the money must be used for a specific purpose. Allowable purposes may include:

- Job training
- College education
- Small business start-up
- Down payment for a home

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 for saving is the education you receive throughout the program and the money that gets added to your account at the end of the program.

(continued)

How can I open an IDA?
If you are interested, you can:

- Check the following Web sites to search for programs by state: www.gwbweb.wustl.edu/users/csd/ida/ida/html and www.idanetwork.org.
- Ask local Community Action Agencies, other community groups, and bankers if they know of any programs in the area.

529 College Savings Plan

Why is it important to save for college?
According to U.S. Census Bureau statistics, people with a college degree earn over 62 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 saving 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** – The states offer prepaid tuition contracts covering instate tuition. If you want to study in a private or out-of-state school, some plans allow you to transfer the value of the contract to that school, but you may not get the full value of your prepaid amount. Check with your local plan administrator for details. 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.
- **529 Savings Plan** – 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.

What are the advantages of 529 Plans?

- Investment grows tax deferred, and distributions are federal-tax free if they are for college costs of the beneficiary.
- The amount is under your control, unlike the case of the custodial account under the Uniform Transfer to Minors Act (UMTA). Under UTMA, the child has control of the money when he or she reaches the legal age of 18.
- 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.

(continued)

What are some ways to save for college?

- Establish 529 Plans to save for college (tax deferred).
- Buy U.S. Savings Bonds to save for college. This is easy through automatic payroll deductions, and earnings may be tax-exempt if qualified.
- Reduce college costs by completing college work during summer terms at a school close to home, provided the credits will transfer.
- Take some transferable credits when in high school by attending advanced placement courses in the senior year, or taking a College Level Examination Program (CLEP) exam.
- Consider studying in-state and commuting to college from home to lower tuition, room, and board cost.
- Buy used books and reduce the use of supplies.
- Learn to cook and do laundry to reduce the cost of living while boarding.
- Plan ahead for trips between school and home on the holidays and school breaks. Catch super-saver deals.
- Look for need-based and academic achievement-based scholarships.
- Check out the ROTC office on campus for scholarship offers if you are interested in serving in the military.
- Apply for federal and private student loans.
- Apply for home equity loans, or get loans from parents or family.

Activity 7: EE Bonds

Instructions
Read the following information about EE bonds. Think about what Jasmine did with the $100 savings bond from her grandmother.

EE Bonds are reliable, low-risk government-backed savings products that you can use toward your education, birthday and graduation gifts, and other special events. Series EE Bonds purchased on or after May 1, 2005, earn a fixed rate of return, letting you know what the bonds are worth at all times. Paper EE Bonds are purchased at half their face value, so the $100 bond that Jasmine's grandmother purchased was only $50 at her local financial institution. 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 3-month interest penalty.

Answer the following questions.
1. What would you do if you received a $100 savings bond?

Answer: Buy something. Save it. Put it in a safe spot.

2. If the $100 bond is all Jasmine has, can she afford an $85 purse?

Answer: No, the bond does not mature to $100 for one year. If EE Bonds are cashed within the first five years, there is a 3-month interest penalty.

3. How long will it take the bond to be worth face value?

Answer: One year.

4. Is this really a good investment? How long would you have to keep the bond for it to reach its maximum earning potential?

Answer: Five years.

Activity 8: Investment Products

Savings Bonds and Treasury Securities

Savings Bonds

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. 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 3-month interest penalty.

Paper EE Bonds are purchased at half their face value, so a $50 bond will cost $25. If you buy EE bonds electronically directly via 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 3-month interest penalty.

Savings bonds start as low as $50 and can be purchased in $25 increments. The largest savings bond able to be purchased is $10,000.

Other Treasury Securities

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 2, 3, 5, and 10 years.
- Treasury Inflation-Protected Securities (TIPS) provide protection against inflation, and the interest rate is 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 $1,000. 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.

(continued)

Corporate Bonds

When you buy this investment product, 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 a 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

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 additional money or lose money.

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 "don't 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 may also gain or lose money over time.

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

(continued)

Individual Retirement Arrangements (IRA)

An IRA is the most basic sort of retirement arrangement. If it is held by an insured financial institution, it is insured up to the maximum allowed by law. When you are interested in opening an IRA, talk to a tax advisor for more details.

Traditional IRA

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 amounts in your IRA are not taxed until they are distributed. The portion of the contributions that was tax deductible also is not taxed until distributed. A traditional IRA can be established at many different financial institutions, including banks, insurance companies, and brokerage firms.

Roth IRA

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. However, while distributions (including earnings) from a traditional IRA may be included in income, the distributions (including 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.

Payroll Deduction IRA

Under a payroll deduction IRA, an employee establishes an IRA (either a traditional or a Roth IRA) with a financial institution. The employee then authorizes a payroll deduction for the IRA, with the remainder of the employee’s pay distributed to the employee as before.

(continued)

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 before taxes are taken out. Often, employers may offer matching contributions.

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:

- Maximum contribution limit per year
- Penalty on early withdrawal before age 59½, except in special circumstances
- They are portable. You can roll over to an IRA, or roll over into the 401(k) plan of your new employer.
- You may be able to choose how to invest the money in your plan.

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 best for you financially.

Variable annuities can be very costly. You should hold the annuity for at least 10 to 20 years to justify the fees. Fees associated with variable annuities include:

- High annual fees, typically 50 percent to 100 percent more than annual fees of comparable mutual funds
- Surrender charges on early withdrawal and withdrawal over a certain percentage
- Ten percent federal tax penalty on early withdrawal before age 59½
- Life benefit guarantee fee

A life benefit guarantee fee is a fee the investor pays to guarantee that the investor gets at least the original investment back at retirement.

Activity 9: Investment Issues to Consider

Before investing, make sure to:

- 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 better able to ride out the ups and downs of the stock market.
- Do not put all your eggs in one basket. You should have a mix of investment products that reflect your needs for return, safety, and long-term savings.
- Your ideal composition of investment products will shift over time, so re-evaluate what you have from time to time.
- Determine how much risk you are willing to tolerate. Remember, there is a tradeoff between risk and return.

Before investing for retirement:

- If you have a full-time job, ask your employer about any retirement accounts that are offered through your job.
- 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.
    - 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.

Resources:

- Internal Revenue Service: www.irs.gov
- More information can be found at www.pueblo.gsa.gov/cic_text/money/401k/401k.htm

Activity 10: Pay Yourself First Action Plan

Decision Factors

Use the Rule of 72 to figure out how much you want to accumulate over a certain period of time. Think about big ticket items that you may want (i.e., college costs, a car).

If you are able to invest, how long can you leave your money invested? If you do not have the money to invest, that may be something you are saving towards.

How do I feel about risking my money? Do you have two to six months of expenses in a savings account? Is investing right for you?

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?

Glossary

Annual Percentage Yield (APY)
APY is the amount of interest you will earn on a yearly basis expressed as a percentage. The APY includes the effect of compounding. When comparing different accounts, you should compare the APYs of the savings products, not the interest rates. The higher the APY, the higher the interest you will receive.

Bonds
When you purchase a bond, you are essentially loaning money to a corporation or to the government for a certain period of time, called a "term." The bond certificate promises the corporation or government will repay you on a specific date with a fixed rate of interest.

Certificates of Deposit (CDs)
CDs are accounts where you leave your money for a set period of time called a term, such as six months or one, two, or five years. You usually earn a higher rate of interest than in a regular savings account. The longer you promise to keep your money in a CD, the higher the interest rate. Be sure to think about your cash needs before opening a CD because you will pay a penalty if you withdraw your money early.

Club Account
A club account is a type of savings account you join to save money for a special reason, such as holidays or family vacations. Club accounts usually require you to make regular deposits.

Diversification
Diversification means you spread the risk of loss in a variety of savings and investment options. It is the concept of "don't put all your eggs in one basket."

401(k) and 403(b) Retirement Plans
401(k) plans are retirement plans that some private corporations offer their employees. A 403(b) plan is similar to a 401(k), but is offered to employees of some non-profit organizations. In both types of plans, you choose to deduct part of your paycheck and place it into the investment strategy you design. The plans allow you to choose different types of investments, depending on how much risk you want to take. The money you place into the account lowers your taxable income. The employer usually matches a portion of your contribution, sometimes up to 50 percent. The funds grow tax-free until the money is withdrawn during retirement.

Equity
When referring to a home, equity is the difference between how much the house is worth and how much you owe on the house.

Investment
A savings option purchased for future income or financial benefit.

Individual Retirement Account (IRA)
An IRA is a retirement account that lets you save and invest money tax-free until you withdraw it when you retire. You can contribute up to $2,000 a year. There are different types of IRAs, including traditional and Roth IRAs.

Liquidity
Liquidity refers to the ease with which an asset (a thing of value) can be turned into cash without losing its value. For example, cash is the most liquid; a certificate of deposit (CD) may be liquidated, but you pay an early withdrawal penalty; a house might be your least liquid asset because it takes time to sell.

Money Market Accounts
A money market account is one that usually pays a higher rate of interest than a regular savings account. Money market accounts usually require a higher minimum balance to earn interest, but they also pay higher rates for higher balances.

Mutual Funds
A mutual fund is 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. The fund manager determines the best time to buy and sell the products in the fund. By combining your resources with other investors in a mutual fund, you can diversify even a small investment, which should reduce risk.

Risk versus Return
This means that the more risk you take in your investment, the higher the expected return on that investment. However, there is also a higher risk that you might lose the entire amount you invested.

Statement Savings Account
A statement savings account is an account that earns interest. If you have a statement savings account, you will usually receive a quarterly statement that lists all of your transactions (withdrawals, deposits, fees, and interest earned).

Stocks
When you buy stocks (shares), you become part owner of the company. If the company does well, you might receive periodic dividends. Dividends are part of a company's profits given back to you when you own stock in the company. If the company does poorly, you might lose your money.

U.S. Savings Bonds
Savings bonds are one type of Treasury Security. They are a long-term investment option backed by the full faith and credit of the U.S. government. Purchasing these bonds is an easy way to save small amounts of money, and they are often purchased for a child's education; however, they may be used for any purpose. Savings bonds can be purchased at a financial institution for as little as $25 or through payroll deductions.

U.S. Treasury Securities
U.S. Treasury securities are debt instruments. When you purchase a Treasury security, you are loaning money to the government. Treasury securities are backed by the full faith and credit of the U.S. government, which means the government guarantees interest and principal payments will be made on time. Treasury securities include:

- Savings bonds, which can earn interest for up to 30 years, but can be cashed after six months.
- Treasury bills, which mature in one year or less from their issue date.
- Treasury notes, which mature in more than a year, but not more than 10 years from the issue date.
- Treasury bonds, which mature in more than 10 years from the issue date.

Treasury bills, notes, and bonds are transferable, which means you can buy or sell them in the securities market. You can buy Treasury bills, notes, and bonds for a minimum of $1,000.

FOR FURTHER INFORMATION

Federal Deposit Insurance Corporation (FDIC)
Division of Supervision & Consumer Protection
2345 Grand Boulevard, Suite 1200
Kansas City, Missouri 64108
1-877-ASK-FDIC (1-877-275-3342)
Email: consumer@fdic.gov
www.fdic.gov

U.S. Financial Literacy and Education Commission
www.mymoney.gov
1-888-My-Money (1-888-696-6639)
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, balancing your checkbook, or investing in your 401k, the resources on MyMoney.gov can help you. Throughout the site, you will find important information from 20 Federal agencies.

Federal Consumer Information Center (FCIC)
www.pueblo.gsa.gov
800-688-9889
The Federal Consumer Information Center (FCIC) provides free online consumer information to help the public. The FCIC produces the Consumer Action Handbook, which is designed to help citizens find the best sources for assistance with their consumer problems and questions.

USA.gov: the Federal Government's Web Portal
www.usa.gov
FirstGov.gov is the official gateway to all government information.

Consumer.gov: a resource for consumer information from the federal government
www.consumer.gov

Department of Education
http://www.ed.gov/students/
The Department of Education provides Information relating to college, financing, and student aid.

For other education-related resources:

- Complete the FAFSA online at [http://www.fafsa.ed.gov/.](http://www.fafsa.ed.gov/)
- Find out more about scholarships at http://www.ftc.gov/bcp/menus/consumer/education/scholarships.shtm.
- For more information on Federal Loan Programs, http://studentaid.ed.gov.

Federal Trade Commission
www.ftc.gov
877-FTC-HELP (382-4357)
The Federal Trade Commission website offers practical information on a variety of consumer topics, including credit and identity theft.

Department of Housing and Urban Development (HUD)
www.hud.gov
800-669-9777
The HUD website offers educational resources on buying and renting homes.

Internal Revenue Service
www.irs.gov
You can get copies of IRS publications and forms at this website or by calling 800- 829-3676. Call 800-829-1040 for questions about your income taxes.

Securities and Exchange Commission (SEC)
www.sec.gov
800-SEC-0330
The SEC provides information about investing.

Social Security Administration
www.ssa.gov
800-772-1213
You can find out about Social Security benefits at this site.

Go Direct
www.GoDirect.org
(800) 333-1795
To quickly and easily sign up for direct deposit of your Social Security or other federal benefit payments, contact Go Direct, a campaign sponsored by the U.S. Department of the Treasury and the Federal Reserve Banks.

National Association of Securities Dealers
www.nasd.com
1-800-289-9999
The National Association of Securities Dealers provides information about registered securities brokers to help you decide whether to do business with them.

The Center for Social Development (CSD), George Warren Brown School of Social Work, Washington University, St. Louis, MO.
The CSD Website includes useful information on Individual Development Accounts (IDAs).
http://gwbweb.wustl.edu/csd/asset/idas.htm