



## SAVING FOR A SPECIAL PURPOSE

### Key concepts

Income, needs vs. wants, budgets, savings accounts, paying you first.

### Summary

This lesson follows the previous lesson on budgeting with an emphasis on constructing a monthly budget that includes saving for a special purpose. Students identify that special purpose (a car) after scanning classified advertisements in newspapers.

### Overview & Lesson Objectives

This lesson is intended for high school students in ninth through twelfth grades. The lesson teaches students the concept of saving money for special purposes using a budget.

Students will be able to:

- Budget for special purposes
- Identify monthly income
- Identify monthly expenses
- Calculate simple interest
- Plan a monthly budget

### Time Allocation:

15 – 20 Minute Prep

35 – 40 Minutes Engagement

### Materials:

- Copies of blank Budget Worksheet (one per student)
- Copies of blank checks (one per student)
- Copies of checking deposit tickets (one per student)
- Copies of blank check register
- Copies of Automotive Classifieds Worksheet (1 copy per every 3-4 students)



## Lesson Begins: Setting the Stage

**Background Builder #1:** Review with students the key points of the previous lesson on budgeting. Make certain that students understand the difference between income and expenses. Ask the students to identify things they would like to have. Guide them toward things like a new phone or a car etc. These are items that require saving money.

**State the Objective:** Tell the students what they will be able to do upon conclusion of the lesson.

*“At the end of this lesson, you will understand the purpose of budgeting and how to create a budget to achieve your goal of saving for a special purpose.”*

## Lesson Continues

Budgeting is the process of making your needs and wants fit with the money you have. It can be difficult at times, but it is the key to making sure you have your money under control.

Distribute Budget Worksheets to students. First, ask students to list monthly income. Second, ask students to list monthly expenses. Finally, have students calculate how much of their monthly income is leftover for them to save (income – expenses = savings).

Remind students that sometimes their parents cannot afford or provide all of their desires. Tell students that at their age they can be responsible for some of their financial needs by providing a service (babysitting, dog watching, lawn cutting, or a part-time job) that will enable them to make purchases they desire. Today they will determine what monthly income they need to earn to purchase and maintain a used car.

At this time have students divide into groups of 3-4. Distribute copies of the automobile classified worksheet to each group. Next, have groups report their findings, writing notes on paper, a board or easel tablet. Finally have each group of students select a vehicle that will suit their needs.

Now that the students know how much a used car will cost, they should be motivated to make some money! At this time, it’s time to return to the conversation about possible services they can provide. The conversation can also include ideas for how to promote their services.

Students should determine how much money they can earn and save each month to maintain their car. Remind students that by depositing the money in an interest bearing account their money will grow.

A bank is the safest place to keep your money, and because people let us protect their money, banks give you back what is called interest. Interest is money that you earn just by having money in a checking or savings account. It is a percent of the total amount of money that you keep in a bank. The interest rate, the length of time and the amount of money in your account determines the amount of interest you will receive from the bank.



(PLEASE WRITE THIS OUT VERY CLEARLY ON THE BOARD. KEEP ALL PERCENTS AS DECIMAL AMOUNTS SINCE STUDENTS WILL CALCULATE INTEREST USING THE DECIMAL CONVERSION.)

For example, if you save \$100 for one year in an account with a 1% interest rate (write 0.01 on the board) you would have earned \$1.00 for free as a thank you from the bank. Model how you arrived at this answer via the chalkboard and by using the calculator for computation.

Assume student now owns the car; at this time students should determine how much money they will need to earn monthly to maintain the car, keeping in mind they will need money for gas, insurance and maintenance. Other costs associated may include annual registration and inspection fees. Have the groups share their budgets and savings plans with the class.

Now that the students know what their budget will be in terms of earning, saving, and spending, it's time to talk about making payments for the car. Have students practice writing a deposit ticket to their checking account. They should also practice writing checks for the payments and recording each transaction in their checking account registers.

It is important to make the point that a check provides a record of a transaction that is recorded not only by the owner but also the bank. This proof may come in handy if an error is made on the part of the recipient in recording the payment. The practice of this process will reinforce skills taught previously. It is also suggested that students be encouraged and reminded about the importance of balancing a checkbook monthly with its statement.

## Lesson Closes

Ask students to describe how a budget can help them meet their goals of saving for a special purpose, in this case its saving for a car. Additionally, elicit from students that saving money in the bank is not only safe but also profitable because they will earn interest. See the suggestion page for "Additional Engagement Opportunities/Recourses, for additional ideas.



## Additional Engagement Opportunities / Resources

### Pair and Share

Students (pairs) interview one another about the lesson content. They must summarize the partner's feedback in either written report or verbal format

Sample Questions:

- What are some expenses you may have currently?
- What types of earnings do you gather?
- Define interest
- What item would you be willing to save money for in order to make the purchase?
- Where do you expect to get the money you'll save?
- How much spending money will be available?
- Are there items you'll need to forego in order to save enough money?
- How long will it take you to save enough money for the item you desire?

**Misinformation:** Quote information from the day's lesson purposely erroneous. Call on various students to restate the information correctly.

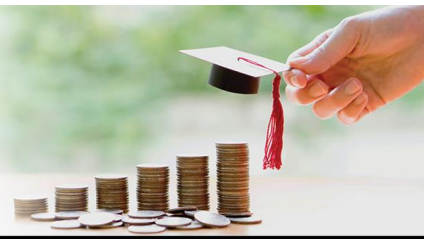
Samples:

- A budget is not needed when saving for an expensive purchase
- Expenses minus earnings equal savings
- It is not necessary to shop around before making a large purchase
- Interest is what the bank charges a Customer to have a savings account
- It is not necessary to maintain a check register as the bank will send you monthly statements of your transactions.

**What's left out?** Supply students with statements that have some information missing. This can be done verbally or it can be done on a board. Ask students to provide the missing information.

Samples:

- What kind of expenses would you expect in owning a used car?
  - *Sample Answers "gas, oil changes, tires and general maintenance"*
- It's important to balance your monthly \_\_\_\_\_, to proof all of your monthly activity. (debits and credits)
  - *1<sup>st</sup> Answers is "statement"*
- Allowance, Birthday gift money and money from your babysitting job are all examples of \_\_\_\_\_.
  - *Answer is "income"*



## Educational Standards

### **National Council of Teachers of Mathematics Principles and Standards for School Mathematics, 2000**

Number and Operations – (Students will) Understand meanings of operations and how they relate to one another.

Number and Operations – (Students will) Compute fluently and make reasonable estimates.

Algebra – (Students will) Understand patterns, relations, and functions.

Problem Solving – (Students will) Build new mathematical knowledge through problem solving.

Communication – (Students will) Use the language of mathematics to express mathematical ideas precisely.

Connections – (Students will) Recognize and use connections among mathematical ideas.

Representation – (Students will) Create and use representations to organize, record, and communicate mathematical ideas.

### **NJ Core Curriculum Content Standards for Personal Financial Literacy 2014:**

*Standard 9.1: 21<sup>st</sup> Century Life and Careers*

*9.1.A. Income and Careers: 9.1.12.A.3*

*9.1.B. Money Management: 9.1.12.B.1, 9.1.12.B.2, 9.1.12.B.3, 9.1.12.B.6,*

*9.1.C. Credit and Debt Management: 9.1.12.C.4*

*9.1.D. Planning, Saving, and Investing: 9.1.12.D.5, 9.1.12.D.9*

### **National Standards in K– 12 Personal Finance Education (from Jump\$tart Coalition) 2017:**

*Financial Decision Making:*

*Standard 4, “Make criterion-based financial decisions by systematically considering alternatives and consequences.”*

*Employment and Income:*

*Standard 2, “Compare sources of personal income and compensation.”*

*Spending and Saving:*

*Standard 1, “Develop a plan for spending and saving.”*

*Investing:*

*Standard 1, “Explain how investing may build wealth and help meet financial goals.”*

### **National Content Standards in Economics (from Council for Economic Education) 2010:**

*Standard 1, Scarcity*



**Bank**

# Financial Education



## Blank Monthly budget worksheet

The following is monthly budget worksheet. You can use it as you plan your own budget.

### INCOME/MONEY RECEIVED

Earnings: \_\_\_\_\_

Allowance: \_\_\_\_\_

Gifts: \_\_\_\_\_

Other: \_\_\_\_\_

TOTAL: \_\_\_\_\_

### EXPENSES/MONEY SPENT

Snacks/Lunch: \_\_\_\_\_

Car payment: \_\_\_\_\_

Gas: \_\_\_\_\_

Car Maintenance: \_\_\_\_\_

Entertainment: \_\_\_\_\_

TOTAL: \_\_\_\_\_

### EXCESS/MONTHLY TOTAL

Income: \_\_\_\_\_

Expenses: - \_\_\_\_\_

TOTAL (Savings): \_\_\_\_\_



**Bank**

# Financial Education



## Sample Checks

Tom Dominic  
123 Federal Avenue NW  
Washington, DC 20036

**101**  
00-00/000

Date \_\_\_\_\_

Pay to the Order of \_\_\_\_\_ \$

Dollars Security Features. Details on Back.

**TD Bank**  
America's Most Convenient Bank®

For \_\_\_\_\_ MP

⑆000000000⑆ 1234567890101

Harland Clarke TD Bank, N.A.

Tom Dominic  
123 Federal Avenue NW  
Washington, DC 20036

**101**  
00-00/000

Date \_\_\_\_\_

Pay to the Order of \_\_\_\_\_ \$

Dollars Security Features. Details on Back.

**TD Bank**  
America's Most Convenient Bank®

For \_\_\_\_\_ MP

⑆000000000⑆ 1234567890101

Harland Clarke TD Bank, N.A.



**Bank**

# Financial Education



## Sample Checking Deposit Slip

Deposit		
Date _____	<b>CASH</b>	
Name _____	<b>CHECKS</b>	
Account Number _____		
	<b>Subtotal</b>	
	<b>Less Cash</b>	
	<b>TOTAL</b>	



**Bank**







Bank

# Financial Education




## Automobile Classified Advertisement

\$2250



★ Mar 19 2001 VW Beetle 94K 5 Speed  
\$2250 (Manchester, NH) [X]

\$7995



★ Mar 19 2012 Chevrolet Malibu \$7995  
(Hooksett) [X]

\$2500



★ Mar 19 2004 Subaru Forester XS AWD  
Snow & Summer Tires One Owner \$2500  
(VT/NH Border) [X]

\$3000



★ Mar 19 2004 Chevrolet Silverado \$3000  
(Keene) [X]

\$4995




★ Mar 19 '09 nissan altima hybrid limited  
\$4995 [X]

\$7590



★ Mar 19 2008 BMW 528xi Sedan 109K  
\$7590 (Raymond, NH) [X]

\$13900




★ Mar 19 2016 Honda Accord \$13900 [X]

\$4500



★ Mar 18 Subaru Impreza \$4500 (Milton) [X]

\$23500



★ Mar 18 2004 Torch Red Corvette Black  
convertible Top 20k miles \$23500  
(Manchester) [X]

\$2500



★ Mar 19 2010 Jetta TDI \$2500 (Boxford) [X]

\$4750



★ Mar 18 2009 Honda Civic LX \*\*Only 121k  
Miles\*\* \$4750 (Loudon) [X]

\$6250



★ Mar 18 1995 Jeep Wrangler Ready for the  
summer \$6250 (bow) [X]