Saving and Investing Exercise

“Where Would You Put Your Money?”

Goal: The purpose of this exercise is to demonstrate to the students the importance of saving money no matter what type of investment vehicle you choose. Students need to also understand the principals of risk vs. reward as they engage in a personal financial management strategy.

Instructions: Have the students divide into three groups after giving them three options by which to save/invest money. 1. Certificate of Deposit account 2. Savings account or 3. Stock market. Give each group $10,000. Then show them the Year 1 scenario of rates along with market ups and downs. **NOTE: To make it more fun, decide whether or not to allow them to move between groups with each passing year.** Students will see the CD and Savings rate as they work on each year but let them know these rates are subject to change. What they will “not” see is how much % the stock market went up or down. But whatever that % is, that is how much they must increase or decrease their total money left (if they have chose the stock group). Only show them the stock market change after the CD/Savings account groups have calculated their new value. Then put it on them—guage their reactions and who moves if you have allowed that. After doing four rounds (i.e., Years) of this, count how many students are in each group and see which group has the most money.

NOTE: This is NOT a handout, complete as an exercise—this is a mentor guide-don’t make copies for students for the session—use paper or flipcharts to actively involve students. This will be posted on the site after the session.

Where would you put your money?

Year 1: You have $10,000 in cash to save/invest with the following options:

Certificate of Deposit:

1 Yr.: 4.19% 2 Yrs.: 4.46% 3 Yrs.: 4.60% 4 Yrs.: 4.85%

Savings Account: 3.3%

Stock Market: unknown (last year was up 4.32%)

NOTE: Changing rates for CDs. If they start Yr. 1 with CD and don't change they move to the next tier rate (i.e. 2 Yrs: rate on next page, but if this is their first year in CDs, they must calculate at the 1 Yr. rate, etc., etc., etc.

Where would you put your money?

At the end of Year 1, the stock market was

Up 8.22%!

How much money does each group have now?

(at this point, allow the students to change their minds and move between the groups—or not, up to you how you want to do it)

Where would you put your money?

Year 2: You now have what is left from Year 1 to save/invest with the following options:

Certificate of Deposit:

1 Yr.: 5.40% 2 Yrs.: 5.44% 3 Yrs.: 5.54% 4 Yrs.: 5.60%

Savings Account: 4.35%

Stock Market: unknown

Where would you put your money?

At the end of Year 2, the stock market was

Up 11.37!

How much money does each group have now?

(at this point, allow the students to change their minds and move between the groups—or not, up to you how you want to do it)

Where would you put your money?

Year 3: You now have what is left from Year 2 to save/invest with the following options:

Certificate of Deposit:

1 Yr.: 5.43% 2 Yrs.: 5.50% 3 Yrs.: 5.49% 4 Yrs.: 5.40%

Savings Account: 3.90%

Stock Market: unknown

Where would you put your money?

At the end of Year 3, the stock market was

Down 3.20%!

How much money does each group have now?

(at this point, allow the students to change their minds and move between the groups—or not, up to you how you want to do it)

Where would you put your money?

Year 4: You now have what is left from Year 3 to save/invest with the following options:

Certificate of Deposit:

1 Yr.: 3.93% 2 Yrs.: 4.01% 3 Yrs.: 4.10% 4 Yrs.: 4.31%

Savings Account: 2.75%

Stock Market: unknown

Where would you put your money?

At the end of Year 4, the stock market was

Down 36.5%! (It crashed-OUCH)

How much money does each group have now?

(at this point, allow the students to change their minds and move between the groups—or not, up to you how you want to do it)