



MIDDLE SCHOOL | UNIT 3
Paying Yourself First

Title

Save With Me!

LEARNING OBJECTIVES

Students will:

- **compare** classroom statistics with national averages.
- **understand** the difference between simple and compound interest.
- **analyze** whether simple or compound interest is more beneficial to consumers.
- **support a claim** with evidence gathered through research.
- **present** a persuasive speech.

Content Area

English Language Arts

Grades

6–8

Overview

What should you find out about a savings account before you open one? Students will write a persuasive speech convincing peers to save money with their imagined “bank.” The activity begins with students completing small amounts of research on actual financial institutions. Students then formulate a “pitch” to their classmates that includes interest rates offered, potential fees and requirements, and how much the customer is expected to gain by saving over different periods of time.

Themes

Personal Finance: Savings and Interest

English Language Arts: Persuasive Writing; Supporting a Claim with Evidence; Speaking and Listening; Research

Common Core English Language Arts Standards

W.6.1, W.7.1, W.8.1: Write arguments to support claims with clear reasons and relevant evidence.

W.6.7, W.7.7, W.8.7: Conduct short research projects to answer a question, drawing on several sources and generating additional related, focused questions for further research and investigation.

SL.6.4, SL.7.4, SL.8.4: Present claims and findings, emphasizing salient points in a focused, coherent manner with pertinent descriptions, facts, details, and examples; use appropriate eye contact, adequate volume, and clear pronunciation.

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Connect

How does this connect to the student?

By learning how to make positive financial decisions early, students will be prepared start saving much sooner than the national average. This will allow them to benefit from compound interest and increase their savings potential.

How does this connect to careers?

Marketing: Individuals who work in marketing write the “copy” or words for advertisements and websites that promote savings products and try to persuade customers. Students who enjoy writing persuasively might consider jobs in the field of marketing.

How does this connect to technology?

Students today have access to a great deal of information about savings accounts. Before the internet, people would have contact individual financial institutions or look for ads in a newspaper to compare the terms on savings accounts. Now there are websites such as Bankrate.com that gather and regularly update this information. This makes comparing options considerably easier for consumers.

Key Terms

Personal Finance: principal; interest; compound interest; interest rate; APR; student accounts

English Language Arts: research; persuasive; tone; speaking skills

Prepare

Background: The United States is not a nation of savers. In 2017, only 8% of adults identified themselves as a “saver”¹. That being the case, few middle school students have probably had the opportunity to become a saver...yet. To start on the road to saving and making positive financial decisions, students can start small by learning more about savings accounts, understanding the types of interest and how they can work to increase students’ savings, and making wise choices about how and when to start saving.

Banks and credit unions offer customers **interest** (the proportion of the amount saved paid back to the saver over a specified period of time) on the **principal** (amount of money put into a savings account) deposited. The **interest rate** is the percentage paid back to the customer, usually expressed as an **APR**, or annual percentage rate. Financial institutions that host savings accounts offer customers compound interest.

Compound interest pays a predetermined interest rate on the initial principal plus any interest already earned. The principal amount changes each year to ingest the earned interest. For example, if a \$100 principal amount was put into a savings account with a 10% compound interest rate, the saver would receive \$10 in interest after the first year. However, the principal would then be \$110, so the saver would receive \$11 in interest after the second year. That principal would keep compounding each year that the amount remained in the account.

Ten percent is an extremely high and generally unrealistic interest rate. In this activity, students will be researching actual current interest rates to present in their persuasive pitches. It is important for students to know that the interest rate

¹<https://www.consumercredit.com/about-us/press-releases/2017-press-releases/new-survey-just-eight-percent-of-consumers-admit-to-being-savers>

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matters, and they should “shop around” to find competitive rates that will help them earn the most from their savings. Other important information to gather before choosing a financial institution in which to save is initial deposit or minimum balance requirements, potential fees, and if there are limited withdrawals and transfers.

Online savings banks usually have different interest rates, fees, and requirements than standard, brick-and-mortar banks, so it would be beneficial for students to research both options. Many financial institutions also offer **student accounts** (savings accounts that require a parent to open and have no fees or minimum balance requirements); you may choose to incorporate that into the project if that is a popular option in your area. While using search engines can help students compile information, it might be useful to collect circulars or information from local banks and compile a list of suggested online banks to narrow their research.

Materials

- **How Can You Get the Most From Your Money? Unit 3 Student Video**
- **Simple or Compound? Student Handout**—one copy per student
- **Computer and internet access**
- **Research Guide Student Handout**—one copy per student

Engage

- Conduct a classroom poll to determine the number of students in the class that are currently saving money for the future or toward a specific goal. Ask and tabulate how many students have a savings account at financial institution such as a bank or credit union. Repeat this with the number of students that save money at home in a designated place such as in a piggy bank.
- Record the numbers on the board. Total them, and calculate the percentage of the class that is saving (number saving divided by total number of students in the class). Compare this to the national average of 8%.
- Invite students to brainstorm some benefits and tradeoffs of putting money in a savings account versus spending it right away.
- Ask for a volunteer to explain his/her understanding of “interest” to the class. Address any gross misconceptions as they occur. If no one in the class can provide ideas, supplement with a basic description. For example, *interest is when you earn money by saving money.*

Teach

- Play the video, **How Can You Get the Most From Your Money?**
- Explain to students that financial institutions (i.e., banks and credit unions) that host savings accounts offer customers compound interest. Ask them why they think banks might choose to offer compound interest rather than simple interest.
 - Anticipated response: *Compound interest earns customers more money; therefore, more customers will want to deposit money in their accounts.*
- Explain to students that online savings banks usually have different interest rates, fees, and requirements than standard, brick-and-mortar banks. Ask them why they think there is a difference.
 - Anticipated response: *Online banks don't have to pay money to run a building or hire as many people.*
- Students will be presenting a persuasive “pitch” to their classmates promoting and trying to gain clients for a fictional bank. To prepare, distribute a copy of **Research Guide Student Handout** to each student. Direct students to compile

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information for each category in the chart using **research**, or information gathered through searches of online and print resources.

- If you prepared a curated list of resources (described above in the Background section), provide it to students at this point in the lesson.
- At the conclusion of their research, direct students to prepare a 60-second **persuasive** (able or likely to convince) “pitch” that they will present to their classmates to promote their fictional banks.
- Remind students that the **tone** (general character or attitude of a speech or piece of writing) they choose is important (i.e., informational, conversational, commercial, etc.). Also important are the students’ speaking skills (conveying one’s thoughts and feelings through speech in an effective and audible manner), such as volume, eye contact, cadence, etc. Tone, **speaking skills**, and content will all be taken into consideration.
 - If time allows, students should practice their “pitches” with a partner for feedback before presenting to the entire group.

Conclude

- Call on students to present their “pitches” to the class. Challenge students to use their research and calculations to justify why their banks would be the best choice for saving.
- Direct students to submit an exit ticket answering the following question: When I open a savings account, I will choose a (standard / online) bank, because ...

Extend

- **Guest Speaker:** Invite a representative from a local bank or a financial advisor into the classroom to provide personal testimony and supplement student research. Have students prepare questions beforehand, and challenge them to amend their work with new information obtained from speakers.
- **Mathematics:** Using play money, have students “deposit” an amount into each of the banks they researched. Challenge students to calculate the amount of money that would be in each account at the end of a specified amount of time. Invite students to compare banks and justify which bank they believe offers the best savings program.
- **Family:** Direct students to discuss their research with their family and have their family help them create a personal savings plan. If this savings plan includes opening a savings account, students can be invited to share with the class their experiences, including what kind of financial institution they chose and the interest offered.

Research Guide

Directions: Using research, compile information to complete the chart below.

	Standard Bank #1:	Online Bank #1:
Current Interest Rate:		
Minimum Deposit/Balance Requirements:		
Fees:		
	Standard Bank #2:	Online Bank #2:
Current Interest Rate:		
Minimum Deposit/Balance Requirements:		
Fees:		

Name of your fictional bank:	
Will it be standard or online?	
What interest rate will you offer?	
Why?	
Will you have a minimum deposit and/or balance requirement? What will it be?	
Why?	
List any fees you will charge:	
How much will your customers earn in 1 year if they save \$100 at your bank?	
How much will your customers earn in 5 years if they save \$100 at your bank?	