

Personal Finance Presentation Instructions

Why is money important?

Slide #1 **Section I: Introduction (5 minutes)**

1. Slide one of the PowerPoint presentation should be on the screen.
2. Make sure all handouts, including one budget card per student, calculators, pencils, etc. are on each student's chair or desk area.
3. Welcome the students to the personal finance class. Ask the students to write down their response to the following question: Why is money important? Allow the students a few moments to write their responses.
4. Once the majority of students have finished writing, ask several students to share their responses then display slide two of the PowerPoint presentation.

Slide #2 Discuss the following: to help us better understand the role of money in our lives, this presentation focuses on three key concepts:

- Budget
- Rate of return
- Risk

State the following: an important technique for understanding the importance of money in our lives is to develop a budget. Click on slide three of the PowerPoint presentation.

Slide #3 **Section II: Budgets**

1. Solicit student responses to the question of "What is a Budget" Lead the students into concluding a budget is a plan for spending money.
2. As you disseminate the materials, click through the slide and ask for a definition of "expense". Take a few responses and clarify the definition if necessary. (An expense is anything you spend your money on).
3. Click through the slide and ask for a definition of "income". Take a few responses and clarify the definition, if necessary. (Income is the money you earn).
4. After all materials are disseminated, ask students to quietly read their budget playing card, front and back.
5. Direct the students to stand and push their chairs to the back of the room.
6. With a roll of masking tape, lay down two lines splitting the room into four quadrants.
7. Announce that the students will be separated into four groups—their group will be the color of their budget card. Direct the students to their color zone.
8. Ask students to bring all of their materials and their desk chair to their designated zone.
9. Once everyone is in their zone, ask students to individually calculate their monthly budget by using the data on their budget card. Ask students to record their answers on the budget sheet.
10. Allow five minutes for this activity.
11. As students work on the budget sheet, display visual aid # 1: a large dry erase budget sheet in the front of class.
12. Once the majority of students have finished writing, ask for a volunteer from each group to come to the front of the room to record their answers onto visual aid #1 and have the rest of the students adjust their chairs to have a clear view of the budget display.
13. As the student volunteers finish, click on slide four of the PowerPoint presentation.

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Slide #4

1. Discuss the following:
 - What do you notice about the data? (there are differences between colors)
 - Why do you suppose there is a difference? (people earn and spend differently)
 - What factors do you think cause people to earn and spend differently? (education, skills, preferences)
2. Ask a volunteer from each group to state their level of education and record on the budget display. State that the level of education has a significant impact on earning ability.
3. Ask the students to take their 3x5 card out and write a summary statement answering the following question: Why do people create budgets?
4. Ask a few students to share their answers.
5. Lead the students to conclude that a budget gives you control.
6. Click on slide five of PowerPoint presentation.

Slide #5

Section III. Goal Setting (5 minutes)

1. Ask the students the following questions: are you going to manage your money or is your money going to manage you? What would you do with the money you had leftover at the end of each month?
2. Ask students to write 3-5 items that they would like to spend their money on. Allow 2-3 minutes for this exercise.
3. Ask for 2-3 volunteers to share what they wrote down.
4. Discuss the following: ask students how they think they will be able to buy the things on their list. Lead the students to determine that they could save or invest the money.
5. Click on slide six of PowerPoint presentation.

Slide #6

Section IV. Saving and Investment Options (5 minutes)

1. State the following: now that you have determined what you might want to spend your money on—let's discuss where to put your money.
2. Discuss the following: there are several options available to you:
 - A savings account allows for deposits and withdrawals.
 - Certificates of deposit (CDs): Savers place their money in the bank for a specified period of time—usually several months or years—and the bank promises to pay a certain rate of return or interest.
 - Stocks and Bonds: A stock represents a share of ownership in a company. You receive money from stocks two ways: a dividend payment and the buying and selling of stocks. A dividend is a payment received by stockholders from the earnings of the corporation. Additionally, you can make money by selling the stock when the stock price of the stock starts going up.
 - Bonds: Corporations and governments sometimes need to borrow money. Bond investors pay a set amount of money, and the issuer promises to pay it all back on a certain date with a set amount interest.
 - Real Estate: People will always need a place to live and/or work so the investment in real estate provides you with a relatively stable environment for your money. However, you usually have to put forth a sizeable down payment and your money is not readily available.
3. Click on slide seven of the PowerPoint presentation.

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Slide #7 **Section V. Saving and Investment Key Factors (10 minutes)**

1. State the following: no matter where you put your money there are two key factors to always consider: the rate of return and the risk associated with the rate of return. First let's discuss the rate of return. The rate of return is the amount of money you earn on your investment.
2. State the following: there are three elements that affect the rate of return: the amount, the rate of interest, and time.
3. To demonstrate this concept, let's do a quick math problem.
4. Click on slide eight of the PowerPoint and ask the students take out their calculators.

Slide #8

1. Click through the PowerPoint and have the students calculate the following problem:
 - What is your rate of return if you invested \$500 at 3% interest for 1 year?
2. Pick a student to answer. The correct answer is \$15.
3. State the following: Now, using that same \$500, how long will it take to turn that \$500 into \$1000 or to double your money earning a 3%?
4. Click on slide. A chart will be displayed showing four different interest rates: 3%, 9%, 15%, and 21%.
5. Discuss the following:
 - Do you know if you invest your \$500 at a 3% rate it would take 24 years to reach \$1000?
 - Does anyone want to guess how long it would take to get to \$1000 at a 9% rate? (the answer is 8 years)
 - There is a simple formula that you can use to calculate how long it will take to double your money given a rate of return. It is called the Rule of 72. All you need to do is take the number 72 and divide it by the interest rate. Let's go back to our PowerPoint chart.
 - How long will it take to double \$500 at 15% interest? The correct answer is approximately 5 years.
 - How long will it take to double \$500 at 21% interest? The correct answer is approximately 3 years.
6. Ask the following: Why would anyone invest their money at the 3% rate? (low risk)
7. Click onto slide nine of the PowerPoint and make sure there is a new sheet of paper ready on the easel.

Slide #9

1. Ask for a show of hands, and ask the following question: how many people would be willing to be paid \$10 to sit through the new Mission Impossible movie? I will buy the ticket and the popcorn.
2. Solicit answers, similar to holding an auction. Start with \$10, wait for a show of hands. Ask about \$15, wait for a show of hands. Move onto \$20 and go up until everyone has agreed to participate. Reassure the group that even if they were in for \$10, you would pay them the same amount that it took to add the final person.
Note: you should not have to offer more than \$50.
3. Once the highest payment is determined, write the answer on the easel.
4. Click for the next bullet point and ask student how much money they would need to be paid to go bungee jumping.

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5. Solicit answers, similar to holding an auction. Start with \$50, wait for a show of hands. Go to \$500, wait for a show of hands, to \$5000, \$50,000. You may have to offer a million to get everyone in the group to sign on. Reassure the group that even if they were in for \$50, you would pay them the same amount that it took to add the final person.
6. Once the highest payment is determined, write the answer on the easel.
7. Ask the students the following question and write it on the board: why is it that I only had to offer \$20 (or amount on the board) to get you to sit through the movie but I had to offer \$100,000 (or amount on the board) to get you to bungee jump? Lead them into answering that there is a greater degree of risk when bungee jumping as opposed to watching a movie.
8. Ask the students to write a summery statement on their 3x5 card answering the following question: "What is the relationship between risk and the rate of return." Allow a few minutes for students to write their response. As soon as the majority of the students have stopped writing, click on slide eleven of the PowerPoint.
9. Click on slide ten of the PowerPoint presentation.

Slide #10 State the following: Let's review our rate of return graph.

Can you determine a reason why someone would invest their money only at a 3% rate? Lead the students to conclude that the degree of risk is similar when investing, the higher the interest rate the higher the risk. Let's review our rate of return graph.

Slide #11 **Section VI: Two Rules to Live by (10 Minutes)**

1. State the following: Now to close out our presentation, I want to leave you with two rules to live by,
 - Spend less than you make.
 - Pay yourself first.
2. Click on slide twelve of the PowerPoint presentation.

- Slide #12**
1. Ask the students what they think might happen if they violate rule #1: You end up spending more than you make.
 2. Solicit a quick discussion. Ask the students: how can they spend more than they make? Lead students into concluding that you will end up borrowing money at a high interest rate such as using a credit card.
 3. Clarify that when you borrow money from a bank or use a credit card, you have to pay the bank or the credit card company the interest--not the other way around.
 4. Discuss the following example with the students. Let's talk about an example where you borrow money on a credit card.
 5. For example, say you borrowed \$5,000 at 17% interest and you make the minimum payment each month. It will take you 81 years to pay off the balance in full!
 6. Click on slide thirteen of the PowerPoint presentation.

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- Slide #13**
1. Ask the students what they think will happen if they follow rule #1?
 2. Solicit a quick discussion. Lead the students to conclude that you end up being able to honor rule #2: Pay yourself first.
 2. State the following: by spending less than you make you are able to give yourself the freedom to be able to save your money or invest your money. Both options allow you to pay yourself first.
 3. Click on slide fourteen of the PowerPoint presentation.
- Slide #14**
1. State the following: Let's discuss an example of paying yourself first.
 2. Discuss the following example. How much money could you earn if you saved \$15 a day until you were 65 years old?
 3. State the following: If you invest **\$15** now—roughly the cost your morning coffee/hot chocolate and daily snacks-and save \$15 every day (7 days a week) or **\$420** month and place your money in an account that collects **5.00% interest**, you'll be a millionaire by the time you are 65! That's only \$420 a month or \$15 every day—just think what you could do with double or triple that.
 4. Click on slide fifteen of the PowerPoint presentation.
- Slide #15**
- Section VII. Conclusion (5 minutes)**
1. Review lesson objectives.
 2. State the following: so why is managing your money is important? I would like you to remember that money can help you achieve your goals through the development of a budget, assessing the rate of return and the risk associated and remembering two key rules: Spend less than you earn and pay yourself first.
 3. Thank the students for their participation.
 4. Click on slide sixteen of PowerPoint presentation.
- Slide #16**
- Remember there is a lot you can learn about money and if you would like any additional information, please visit the following websites.
- Note:** Click on the icons on the slide and this will take you to each organizations website. Additionally, you will have handouts to give the students. Most of the classes receiving this training will receive a follow-up in class training by Operation Hope volunteer which will cover credit and investing.