# Saving and Investing

## Objectives

1. To understand the relationship between saving, spending, investing and donating
2. To learn the difference between short-term and long-term saving and investing
3. To introduce the concepts of simple and compound interest
4. To learn about the different types of investments

### *Subject Area*

English Language Arts (K-12), Math (3, 12)

## Discussion

- What do you personally do with your money? Do you spend it, save it, invest it or donate it? Why?
- What does it mean to pay yourself first?
- How are saving, spending, investing and donating connected?
- What does it mean to invest?
- Why would someone want to invest?
- What is compounding interest?
- What do you think the difference is between short-term and long-term investing?
- Is an education savings plan an investment? Why or why not?
- What does it mean to take risks when investing? Is everybody willing to take the same risks with their money?

## Activity

### Learn about Savings and Investing

*Materials: Investments at a Glance CSA brochure (order form on page 122 or download), What Should I Invest In Handout*

- Using the investment information sheet, have the class decide where to invest grandma and grandpa's gift.
- Divide the class into four groups and assign each group the role of either Stocks, Bonds, Mutual Funds or GICs. Have each group research the pros and cons of its own investment type.
- Have the groups define their investment types and explain the potential returns, risk, costs and other important information (from the CSA investments at a glance brochure) using the table on the student handout.
- Each group will present information on its type of investment. Engage the class to have an open debate as to which investment would be the best option for grandma and grandpa to invest in for the students' future education.

### *Extension*

- Have students complete Activity 1 of the *Magic of Compound Interest Handout* to see how much they would save after 10 weeks. For an additional challenge, ask them to complete Activity 2 to see what would happen if they chose to make a purchase during Week 4.

### *Collaborative Feedback*

- Have the class discuss its findings from the extension activity. What was the total amount that they would have after saving the entire amount for 10 weeks? How much less did they end up having simply because they made a $7 purchase in Week 4?

## Teacher Tips

- Read any of the following books with your students to help start the conversation about how and why we save and invest. (You can find even more books in the Extras section on page 116.)

  – *My Rows and Piles of Coins,* Tololwa M. Mollel
  – *Pigs will be Pigs,* Amy Axelrod
  – *Sam and the Lucky Money,* Karen Chinn
  – *A Chair for My Mother,* Vera B. Williams

- Consider inviting a financial adviser or banker to talk to the class about investing. One of your students' parents may already work in this field.

### *Pre- and Post-Assessment of Lesson*

- What do you know about investing and investment products?
- What did you learn about investing and investment products?

# What should I invest in?

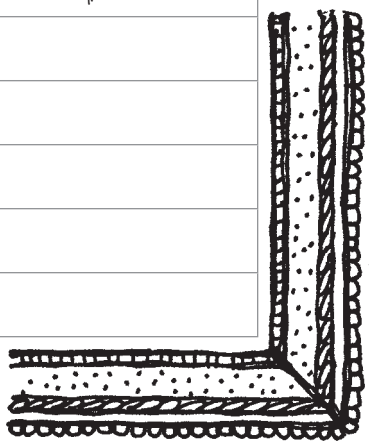
Grandma and grandpa have decided that they would like to open a Registered Education Savings Plan (RESP) for you. They are unsure what types of investments they should invest the funds in. They give you a gift of $1000 to open the RESP, and ask that you do the research into what would be the best investment: stocks, bonds, GICs or mutual funds.

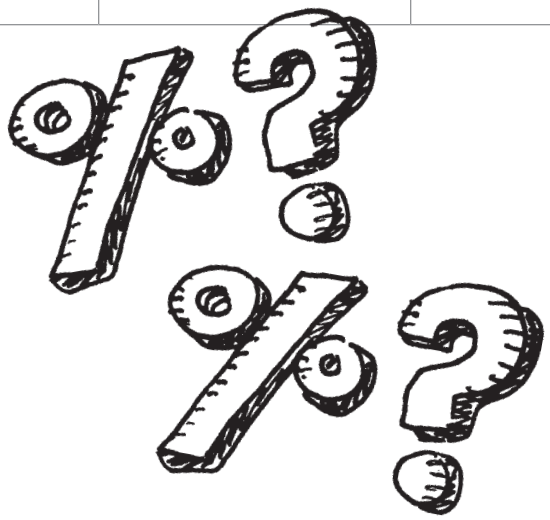
# Magic of Compound Interest

Some of your relatives have asked for your help with the chores around their house during the summer. They agree to pay you $1 each week for 10 weeks, but have promised to sweeten the deal by offering to match every dollar that you save. The more you save, the more you earn.

If you saved all the money you earn, how much would you have after 10 weeks? Use the table below to show the amount that you would have after each week.

| | Saved | Matched | Total |
|---|---|---|---|
| Week 1 | | $1 | $1 |
| Week 2 | $1 + | $1 = | $2 |
| Week 3 | $2 | $2 | $4 |
| Week 4 | $4 | $4 | $8 |
| Week 5 | $8 | $8 | $16 |
| Week 6 | | | |
| Week 7 | | | |
| Week 8 | | | |
| Week 9 | | | |
| Week 10 | | | |



# Magic of Compound Interest

After four weeks, you saw something at the mall that you wanted to buy. It costs $7, and you have enough to pay for it after saving your money. How would spending that money affect your earnings over the remaining six weeks? How much less would you have after 10 weeks compared to the amount you would have if you chose not to buy the item?

| | Saved | Matched | Total |
|---|---|---|---|
| Week 1 | | $1 | $1 |
| Week 2 | $1 + | $1 = | $2 |
| Week 3 | $2 | $2 | $4 |
| Week 4 | $4 | $4 | $8 |
| You use $7 of your $8 saved by week 4 to buy something at the mall, leaving you with $1 in savings. | | | |
| Week 5 | $1 | $1 | $2 |
| Week 6 | $2 | $2 | $4 |
| Week 7 | $4 | $4 | $8 |
| Week 8 | | | |
| Week 9 | | | |
| Week 10 | | | |