

6th - 8th Grade
Student Guide



Real Money Prep Course



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Financial Capability Curriculum Series

Student Guide

Adult _____

College _____

High School _____

6th - 8th Grade _____

3rd - 6th Grade _____

PK - 2nd Grade _____



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Simple & Compound Interest

Warm-Up Activity

Write down your ideas about what this quote means:

“The most powerful force in the universe is compound interest.” Albert Einstein.

▀ Making Money From Money

Did you know that if you start saving and investing \$100 per month before you are 21, you have a good chance of becoming a millionaire? This is due to something called “compounding interest.” Compounding interest allows money to grow, and the younger you start saving, the larger the money can grow.

If you invest \$10,000 and you earn a return of just 10% per year, at the end of the year you will have earned \$1,000. To do this on your calculator, plug in $10,000 * .10 = 1,000$. The answer shows how much you earned.

Now, if you want to calculate how much you have in your account, multiply \$10,000 by 1.1 and you will see \$11,000. How much money will you have in 49 years when you retire if you invested \$10,000 at a 10% interest rate?

Take a few minutes to work it out. \$ _____

What we just did is the beginning of investing. Understanding this principle can help you as you begin investing later. Compound interest is powerful, because you are earning interest on the money you initially saved or invested, and then as you earn interest, that money earns interest as well. At some point, you will double your money with minimal work.

This simple formula will help you figure out when your money will double.

Lesson Activity: Compound Interest

Listen carefully to the business proposition put forth by your instructor. Consider your options before choosing, then select the one you think will be most successful.

Using the calendar grid below, follow your instructor's directions to make your calculations.

| | | | | | | |
|--------|--------|--------|--------|--------|--------|--------|
| Day 1 | Day 2 | Day 3 | Day 4 | Day 5 | Day 6 | Day 7 |
| Day 8 | Day 9 | Day 10 | Day 11 | Day 12 | Day 13 | Day 14 |
| Day 15 | Day 16 | Day 17 | Day 18 | Day 19 | Day 20 | Day 21 |
| Day 22 | Day 23 | Day 24 | Day 25 | Day 26 | Day 27 | Day 28 |
| Day 29 | Day 30 | | | | | |

Simple & Compound Interest

Lesson Questions

1. What formula can be used to determine when your money will double, thanks to interest rates?
 - a. Rule of 72
 - b. 10% Rule
 - c. The Investment Principle
2. If you invest \$100 at a 10% interest rate, how much will you have in your account after five years?
 - a. \$500.50
 - b. \$150
 - c. \$550
3. Compound interest is
 - a. interest that goes void at the end of the deposit or loan period
 - b. interest added to a principal so that the added interest also earns interest from then on
 - c. interest that doubles
 - d. interest that gets paid by the government

Essential Questions

What impact does interest have on your investments?

Why should I consider investing?

What is compounding interesting?

Invest in Your Future

Warm-Up Activity

“If you must work for money, find a way to work and be happy. That is financial intelligence.” Robert Kiyosaki.

Write your thoughts about the quote cited above.

▀ The Cost of College

College or trade school is a person’s first large investment of time, money or both. Building skill sets requires an investment, but also can provide excellent returns. The average college graduate earns about \$400K more over a lifetime than someone with just a high school diploma.

If you have to pay \$30,000 to earn \$400K more in your lifetime, is that a good investment? Yes No

What if you had to pay \$600K to earn \$400K more? Yes No

You want to minimize the cost to attend college and maximize the benefits you’ll receive from getting a higher education.

College, trade or vocational school is both an investment and an opportunity to receive an ROI. ROI stands for “Return on Investment” which is the money you make from your original invested amount. For instance, if you invested **\$100** and made **\$50**, your ROI is **50%**.

Whether you attend college, trade school, or vocational school, advanced education is an investment. Receiving any type of education beyond high school will increase your income potential over your lifetime.

If you choose to pursue college, you must determine which school is the best choice to earn a good ROI. For example, if you want to become a personal fitness coach (who makes an average of \$40K per year), is it smart to pursue a degree from Harvard University that costs \$420K?

Invest in Your Future

College loans may (or may not) be suitable as investments toward your future. It is important to be careful with the college they choose, as college loans must be repaid when college is completed. Compare these two examples:

(A) A graduate with \$180,000 in student loans who earns \$38,000 per year

(B) A graduate with the same degree who paid \$28,000 out of pocket and earns \$36,000 per year.

Which is the better investment option?

(A)

(B)

Consider the following tips to prepare for college and determine the best investment option for your education.

SOME TIPS TO PREPARE FOR COLLEGE

- Attend a community college
- Apply for scholarships
- Fill out the FAFSA
- Work with a college planner
- Apply for state and college scholarships
- Sometimes the more expensive schools can actually be cheaper, depending on the aid package they receive.

REMEMBER the importance of becoming a life-long learner.

Education after high school is the first step.

Lesson Activity: Making ROI Decisions

Everyone should apply for financial aid! Fill out the FAFSA (Jan 1st–March 2nd). It's free, and makes you eligible for more than 80% of available financial aid. (Make copies!)

Find out if your school of choice requires the CSS Profile Form (most private colleges require this form) and any additional forms they may require.

- Create a college-bound folder and a college calendar so you don't miss important dates and deadlines.
- Pick financial and academic "safety" schools – the ones you know you can get into and afford.
- Take the time to learn how the system works and develop a plan to pay for college!

- Contact your state agency of higher education (example: in California it's Cal Grants).
- Learn your EFC before you apply. Find out what percentage the colleges meet, and how much you would take in grants and loans?
- Develop a plan to save for college. Save early and often!
- Use the budgeting and savings calculators provided in the tool section.
- Look into tax-advantaged savings plans, like IRA's, Roth IRA's, Coverdell ESA's, and 529 plans (to have any chance at financial aid, make sure these are in your parents' names).

Read through the following scenarios and answer the questions.

1. You are a teller at your local bank. Your boss suggests that, if you attend a banking seminar and complete the coursework, you will receive a raise of \$250 per month. The seminar costs \$500, an amount that you must pay.

What is the ROI after the first year? _____

When do you break even? _____

Will taking the seminar benefit you in the future? Yes No

Do you think you will make more money over time? Yes No

2. You have a desire to become an accountant. Attending local university will cost you \$35,000 for the degree and you will graduate in four years. You will pay for all of the costs with student loans. The average accountant in your area makes \$50,000 per year. Or you can choose to go to work right away and earn \$35,000 per year; however, you are unlikely to receive any major raises.

Without considering student loan interest, when will you break even on this decision? _____

Considering the ROI shown in this example, what choice would you make?

Lesson Question

1. ROI means:
 - a. Rake Our Interest
 - b. Rate of Income
 - c. Return on Investment
2. One goal to remember when planning for college is
 - a. To minimize the cost to attend college and maximize the benefits received from getting a higher education
 - b. To head to the cheapest colleges classes available
 - c. To aim for the Ivy League
 - d. That school is not important after high school
3. The FAFSA forms
 - a. Should never be filled out
 - b. Should be filled out by everyone
 - c. Are a trap
 - d. Are only for some people



