This chapter introduces the Baby Steps, covers the importance of saving, shows the power of compound interest, and explains the three reasons to save emergencies, purchases and wealth building).

**Learning Outcomes**

**List the Baby Steps:**
1. Save $1,000 in an emergency fund (or $500 if you make less than $20,000 per year)
2. Pay off all debt except the house
3. Save three to six months of expenses
4. Invest 15% of your household income into Roth IRAs and pre-tax retirement plans
5. Begin children’s college fund
6. Pay off your home early
7. Build wealth and give

**Explain the three basic reasons for saving money:**
- Emergencies
- Large purchases
- Wealth building

**Identify the benefits of an emergency fund:**
- Reduces stress
- Covers unexpected expenses
- Provides a rainy-day umbrella
- Prevents borrowing money in a financial crisis

**Calculate the power of compound interest and describe the impact of rate of return:**
- Compound interest is earning interest on the interest you’ve previously earned. Over time, this really adds up.
- Rate of return (the interest rate) will also make a difference in how large investments grow over time.

**Evaluate emergencies that can happen during college and prepare a plan for them.**

**Key Terms**

**Baby Steps:** the seven steps to a healthy financial plan

**Compound Interest:** Interest paid on interest previously earned; credited daily, monthly, quarterly, semiannually on both principal and previously credited interest

**Emergency Fund:** Three to six months of expenses in readily available cash to be used only in the event of an emergency; Baby Step 1 begins the process, and Baby Step 3 is the completed amount

**Interest Rate:** Percentage paid to a lender for the use of borrowed money

**Money Market Mutual Fund:** Mutual fund that seeks to maintain a stable share price and to earn current income by investing in interest-bearing instruments with short-term (usually 90 days or less) maturities

**Sinking Fund:** Saving money for a specific purpose to allow interest to work for you rather than against you
# Content Overview

## Reading Content

My Total Money Makeover reading excerpts in the Introduction section and in Chapter 1  
5 minutes each

## Video Content: Each segment should be followed by a short discussion period

<table>
<thead>
<tr>
<th>Video</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>10 minutes</td>
</tr>
<tr>
<td>Video Section 1: The Baby Steps</td>
<td>16 minutes</td>
</tr>
<tr>
<td>Video Section 2: Emergency Fund/Purchases</td>
<td>13 minutes</td>
</tr>
<tr>
<td>Video Section 3: Wealth Building</td>
<td>12 minutes</td>
</tr>
<tr>
<td>Video Section 4: Compound Interest</td>
<td>16 minutes</td>
</tr>
</tbody>
</table>

## Assessments

<table>
<thead>
<tr>
<th>Assessments</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Course Pre-test</td>
<td>15 minutes</td>
</tr>
<tr>
<td>Quiz On Savings</td>
<td>10 minutes</td>
</tr>
<tr>
<td>Chapter Test</td>
<td>time varies</td>
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</tbody>
</table>

## Activities

<table>
<thead>
<tr>
<th>Activities</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal Tracker [foundationsU website]</td>
<td>10 minutes</td>
</tr>
<tr>
<td>Interview [outside of class]</td>
<td>15 minutes</td>
</tr>
<tr>
<td>Rate of Return Online Calculator [outside of class]</td>
<td>10 minutes</td>
</tr>
<tr>
<td>Class Presentation: Who is to blame for the negative savings rate?</td>
<td>time varies</td>
</tr>
</tbody>
</table>

Divide the class into groups and give them time to research. Then meet again to discuss responsible parties such as lenders, consumers, marketers, etc.

## Case Studies

<table>
<thead>
<tr>
<th>Case Study</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case Study 1: Jeremy and Student Loan Debt</td>
<td>5 minutes</td>
</tr>
<tr>
<td>Case Study 2: Latisha and New Furniture</td>
<td>5 minutes</td>
</tr>
<tr>
<td>Case Study 3: Jorge and Transportation</td>
<td>5 minutes</td>
</tr>
</tbody>
</table>
## Example Schedule

### Intro Class: 50 Minutes
- **Course Information:** Syllabus and Grading Requirements  
  - Duration: 5 minutes
- **Assessment:** Course Pre-test to assess students’ prior knowledge  
  - Duration: 15 minutes
- **Assign Reading** (in class): Introduction section  
  - Duration: 5 minutes
- **Video:** Introduction  
  - Duration: 10 minutes
- **Discussion Questions**  
  - Duration: 5–10 minutes
- **Assign Reading** (homework): Reading at the beginning of Chapter 1  
  - Duration: 1 minute
- **Assign Activity** (homework): Research for Class Presentation  
  - Duration: 1 minute

### Class 1: 50 minutes
- **Review:** Reading excerpts  
  - Duration: 1 minute
- **Video:** Savings, Section 1: The Baby Steps  
  - Duration: 16 minutes
- **Discussion Questions**  
  - Duration: 5–10 minutes
- **Video:** Savings, Section 2: Emergency Fund / Purchases  
  - Duration: 13 minutes
- **Discussion Questions**  
  - Duration: 5–10 minutes
- **Reminder:** Research for Class Presentation  
  - Duration: 1 minute

### Class 2: 50 minutes
- **Video:** Savings, Section 3: Wealth Building  
  - Duration: 12 minutes
- **Discussion Questions**  
  - Duration: 5–10 minutes
- **Class Activity:** Class Presentations  
  - Duration: 25 minutes
- **Assign Activity** (homework): Interview  
  - Duration: 1 minute

### Class 3: 50 minutes
- **Review:** Interview Activity  
  - Duration: 1 minute
- **Class Activity:** Finish Class Presentations  
  - Duration: 10 minutes
- **Video:** Savings, Section 4: Compound Interest  
  - Duration: 16 minutes
- **Discussion Questions**  
  - Duration: 5–10 minutes
- **Assessment:** Quiz On Savings  
  - Duration: 10 minutes
- **Assign Activity:** Rate of Return Online Calculator  
  - Duration: 1 minute
- **Assign:** Money In Review as a test preparation exercise  
  - Duration: 1 minute

### Class 4: 50 minutes
- **Review:** Rate of Return Activity  
  - Duration: 1 minute
- **Discuss Case Studies**  
  - Duration: 15 minutes
- **Review:** Quiz and test material  
  - Duration: 5 minutes
- **Chapter test**  
  - Duration: 25 minutes
- **Assign Activity** (homework): Goal Tracker  
  - Duration: 1 minute