

Lesson Plan

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

Video: <i>Introduction</i>	10 minutes
Video Section 1: <i>The Baby Steps</i>	16 minutes
Video Section 2: <i>Emergency Fund/Purchases</i>	13 minutes
Video Section 3: <i>Wealth Building</i>	12 minutes
Video Section 4: <i>Compound Interest</i>	16 minutes

Assessments

Course Pre-test	15 minutes
Quiz On Savings	10 minutes
Chapter Test	time varies

Activities

Goal Tracker (foundationsU website)	10 minutes
Set and track various goals for the semester.	
Interview (outside of class)	15 minutes
Interview a person over the age of 60 concerning their history with money.	
Rate of Return Online Calculator (outside of class)	10 minutes
Calculate the power of saving with interest over a lifetime, and calculate the cost of daily luxury items if that money were invested instead.	
Class Presentation: Who is to blame for the negative savings rate?	time varies
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

Case Study 1: Jeremy and Student Loan Debt	5 minutes
Case Study 2: Latisha and New Furniture	5 minutes
Case Study 3: Jorge and Transportation	5 minutes

Example Schedule

Intro Class: 50 Minutes

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

Class 1: 50 minutes

Review: Reading excerpts	1 minute
Video: Savings, Section 1: <i>The Baby Steps</i>	16 minutes
Discussion Questions	5–10 minutes
Video: Savings, Section 2: <i>Emergency Fund / Purchases</i>	13 minutes
Discussion Questions	5–10 minutes
Reminder: Research for Class Presentation	1 minute

Class 2: 50 minutes

Video: Savings, Section 3: <i>Wealth Building</i>	12 minutes
Discussion Questions	5–10 minutes
Class Activity: Class Presentations	25 minutes
Assign Activity (homework): Interview	1 minutes

Class 3: 50 minutes

Review: Interview Activity	1 minute
Class Activity: Finish Class Presentations	10 minutes
Video: Savings, Section 4: <i>Compound Interest</i>	16 minutes
Discussion Questions	5–10 minutes
Assessment: Quiz On Savings	10 minutes
Assign Activity: Rate of Return Online Calculator	1 minute
Assign: Money In Review as a test preparation exercise	1 minute

Class 4: 50 minutes

Review: Rate of Return Activity	1 minute
Discuss Case Studies	15 minutes
Review: Quiz and test material	5 minutes
Chapter test	25 minutes
Assign Activity (homework): Goal Tracker	1 minute