

Saving and Investing

UNIT THREE

LEARNING OBJECTIVES:

At the end of this Unit, students will be able to:

- *Identify reasons for saving and also prioritise those reasons*
- *Identify saving goals*
- *Differentiate between saving and investing*

BIG IDEA – Pay yourself first. Start early and save regularly. There are many saving and investing vehicles to choose from. Do your research and get reliable advice. Visit www.ttsec.org.tt to view the list of registered Investment Advisers in Trinidad and Tobago.

INTRODUCTION

This Unit introduces students to the concepts of saving and investing. It includes linking financial goal- setting to saving and investing, understanding the need to save and ways in which persons can secure their financial future.

QUESTION

ASK STUDENTS:

- Do you save money? Show by hands;
- Do you save regularly? Show by hands
- What do you save money for? – write a list on the board
- Why do we save? – write list on board.

Show the following information either in a slide format using a projector and screen, or hand-out:

Why do we save for the future?

- Feel more secure and in control
- Be prepared for emergencies
- Reduce stress and conflict
- Spend with less guilt or fear
- Afford major purchases
- Pay off debt and avoid new debt
- Retire comfortably

Creating Savings Goals

Point out that one of the reasons people aren't saving is that they don't have specific goals, so they aren't motivated to save.

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Show the following information either in a slide format using a projector and screen, or hand-out:

- Make your goals specific
- Set a dollar amount and deadline.
- Break your goal into smaller goals.
- Write down your goal and post it where you can see it every day.

Show these examples of savings goals:

- Save some money for a rainy day. - A vague, not very useful goal
- Build an emergency fund of \$2,000 by saving at least \$1000 by the end of the year
- An achievable goal
- A smaller goal: Save \$200 a month, or \$100 every two weeks, rather than saving \$2,400 in a year.

Ask participants to write down their goals and ensure that they are specific (SMART Goals)
Have participants share their savings goals.



Refer to Activity 3.1 in the Student Workbook. Saving and Investing

There are four steps to saving

Show the following:

- 1) Set up an emergency fund
- 2) Pay yourself first
- 3) Make savings automatic
- 4) Grow your savings

Set up an emergency fund

- The first thing to do is to set up an emergency fund
- Save 3 to 6 months' worth of take-home pay
- This is what you'll rely on if you lose your job, get sick or have unexpected expenses
- Keep the money in a separate savings account or in an easily cashable investment
- Don't rely on credit cards, bank loans or personal lines of credit (borrowing) for an emergency
- and don't spend your emergency fund on non - emergency expenses

Pay yourself first

- Have you ever heard the phrase "Pay yourself first"? ;
It means to set aside your savings before you spend on other things.
- Treat savings like any other recurring bill that you must pay each month
- Put aside a set amount of money from every paycheck without thinking about it

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Make savings automatic

The way you pay yourself first is by making savings automatic

Ideally you should be saving 5% -10% of your salary/income

For example, if you earn \$2,000 a month after tax: Saving 5% = \$100 a month = \$1,200 a year

Saving 10 % = \$200 a month = \$2,400 a year

Set up direct debits from your bank account or paycheque. If students don't have an account, they can ask their parents to help setup an account and make monthly deposits, or take you to the bank to do your own transactions.

Extra money - from Grandparents, or relatives gifts, chores etc. Save it!

Grow Your Savings - Concept of Investing

Ask participants ...

- What is investing? or
- What does it mean to invest?

Write the answers on the board.

Explain to students that, Investing means putting your money to work for you. It's a different way of thinking about making money. The key to investing is savings.

There are many different ways in which you can go about making an investment. This includes putting money (or your savings) into stocks, bonds, mutual funds, real estate, or starting your own business. Sometimes people refer to these options as "investment vehicles". These investment vehicles will be discussed later on in the other Units.

It does not matter which method you choose for investing your money, the goal is always to put your money to work so that it earns you an additional profit.

Reflection and Summary.

Have students individually or in groups:

Write the three most important things they learned about saving and investing.

Review the items that students listed with the class. Points should include:

- Savings goals
- Four steps to saving
- Pay yourself first
- Conducting research and getting advice from reliable sources - Impress upon students that anyone seeking to invest in securities, must consult a registered Investment Adviser before engaging in any investment decision.
- Saving in order to invest