



## SAVING FOR A SPECIAL PURPOSE

### Key Concepts

Income, needs vs. wants, budgets, savings accounts, paying you first

### Summary

This lesson follows the previous lesson on budgeting with an emphasis on constructing a monthly budget that includes saving for a special purpose. Students identify that special purpose, in this lesson either a cell phone or laptop.

### Overview & Lesson Objectives

This lesson is intended for middle school students in sixth, seventh and eighth grades. The lesson teaches students the concept of saving money for special purposes using a budget.

Students will be able to:

- Budget for special purposes
- Identify monthly income
- Identify monthly expenses
- Calculate simple interest
- Plan a monthly budget

### Time Allocation:

15 - 20 Minute Prep

35 - 40 Minutes Engagement

### Materials:

- Copies of Blank Budget Worksheet (one per student)
- Copies of Cell Phone Classified Worksheet (one per every 3-4 students)



## Lesson Begins Setting the Stage

**Background Builder #1:** Review with students the key points of the previous lesson on budgeting. Make certain that students understand the difference between income and expenses. Ask the students to identify things they would like to have. Guide them toward things like a new phone or a laptop computer, etc. These are things that require saving money.

**State the Objective:** tell the students what they will be able to do upon conclusion of the lesson.

*“At the end of this lesson, you will understand the purpose of budgeting and how to create a budget to achieve your goal of buying and maintaining your own cell phone.”*

## Lesson Continues

Budgeting is the process of making your needs and wants fit with the money you have. It can be difficult at times, but it is the key to making sure you have your money under control.

Distribute Budget Worksheets to students. First, ask students to list monthly income. Second, ask students to list monthly expenses. Finally, have students calculate how much of their monthly income is leftover for them to save. (income – expenses = savings).

Remind students that sometimes their parents cannot afford or provide all of their desires. Tell students that at their age they can be responsible for some of their financial needs by providing a service (babysitting, dog watching, lawn cutting, etc.) that will enable them to make purchases they desire. Today they will determine what monthly income they need to earn to purchase and maintain a cell phone. The features of the plan they choose will affect the amount they need to earn.

Have student form groups of 3-4, and distribute the classified worksheet to each set of students. Next have the group's report their findings of the best cell phone that would suit their needs, writing notes on a board or easel tablet.

Now that the students know how much a cell phone will cost, they should be motivated to make some money! At this time, it's time to return to the conversation about possible services they can provide. The conversation can also include ideas for how to promote their services.

Students should determine how much money they can earn and save each month to maintain the cell phone. Remind students that by depositing the money in an interest bearing savings account their money will grow.

A bank is the safest place to keep your money, and because we want you to let us protect your money, we give you an incentive that we call interest. Interest is money that you earn just by having money in a savings account. It is a percent of the total amount of money that you keep with us. The interest rate, the length of time and the amount of money in your account determines the amount of interest that you will receive from the bank.



(PLEASE WRITE THIS OUT VERY CLEARLY ON THE BOARD. KEEP ALL PERCENTS AS DECIMAL AMOUNTS SINCE STUDENTS WILL CALCULATE INTEREST USING THE DECIMAL CONVERSION.)

For example, if you save \$100 for one year in an account with a 1% interest rate (write 0.01 on the board) you would have earned \$1.00 for free as a thank you from the bank. Model how you arrived at this answer via the chalkboard and by using the calculator for computation.

At this time students should determine how much they will need to earn monthly to maintain the cell phone. Have students share their budgets and savings plans in groups of 3-4. Groups should then be given a chance to share with the class.

### Lesson Closes

Ask students to describe how a budget can help them meet their goals of saving for a special purpose. Additionally, elicit from students that saving money in the bank is not only safe but also profitable because they will earn interest. See the suggestion page for “Additional Engagement Opportunities/Resources”, for additional ideas.



## Additional Engagement Opportunities / Resources

### Pair and Share

Students (pairs) interview one another about the lesson content. They must summarize the partner's feedback in either written report or verbal format

Sample Questions:

- What are some expenses you may have currently?
- What types of earnings do you gather?
- Define interest.
- What item would you be willing to save money for in order to make the purchase?
  - Where do you expect to get the money you'll save?
  - How much spending money will be available?
  - Are there items you'll need to forego in order to save enough money?
  - How long will it take you to save enough money for the item you desire?

**Misinformation:** Quote information from the day's lesson purposely erroneous. Call on various students to restate the information correctly.

Samples:

- All types of accounts earn interest
- Banks are not a safe place to keep your money

**What's left out?** Supply students with statements that have some information missing. This can be done verbally or it can be done on a board. Ask students to provide the missing information.

Samples:

- \_\_\_\_\_ is the process of making your needs and wants fit with the money you have.
  - *Answer is "Budgeting"*
- \_\_\_\_\_ is money that you earn just by having money in a savings account.
  - *Answer is "Interest"*



## Educational Standards

### **National Council of Teachers of Mathematics Principles and Standards for School Mathematics, 2000.**

Number and Operations – (Students will) Understand meanings of operations and how they relate to one another.

Number and Operations – (Students will) Compute fluently and make reasonable estimates.

Algebra – (Students will) Understand patterns, relations, and functions.

Problem Solving – (Students will) Build new mathematical knowledge through problem solving.

Communication – (Students will) Use the language of mathematics to express mathematical ideas precisely.

Connections – (Students will) Recognize and use connections among mathematical ideas.

Representation – (Students will) Create and use representations to organize, record, and communicate mathematical ideas.

### **NJ Core Curriculum Content Standards for Personal Financial Literacy 2014:**

*Standard 9.1: 21<sup>st</sup> Century Life and Careers*

*9.1.A. Income and Careers: 9.2.8.A.6*

*9.1 B. Money Management: 9.2.8.B.3, 9.2.8.B.7*

*9.1 D. Planning, Saving, and Investing: 9.2.8.D.1*

*9.1 E. Becoming a Critical Consumer: 9.2.8.E.4*

### **National Standards in K– 12 Personal Finance Education (from Jump\$tart Coalition) 2017:**

*Financial Decision Making:*

*Standard 4, “Make criterion-based financial decisions by systematically considering alternatives and consequences.”*

*Employment and Income:*

*Standard 2, “Compare sources of personal income and compensation.”*

*Spending and Saving:*

*Standard 1, “Develop a plan for spending and saving.”*

*Investing:*

*Standard 1, “Explain how investing may build wealth and help meet financial goals.”*

### **National Content Standards in Economics (from Council for Economic Education) 2010:**

*Standard 1, Scarcity:*



## MONTHLY BUDGET WORKSHEET

The following is monthly budget worksheet. You can use it as you plan your own budget.

### INCOME/MONEY RECEIVED

Earnings: \_\_\_\_\_

Allowance: \_\_\_\_\_

Gifts: \_\_\_\_\_

Other: \_\_\_\_\_

TOTAL: \_\_\_\_\_

### EXPENSES/MONEY SPENT

Snacks/Lunch: \_\_\_\_\_

School Supplies: \_\_\_\_\_

Gifts Bought: \_\_\_\_\_

Entertainment : \_\_\_\_\_

TOTAL: \_\_\_\_\_

### EXCESS/MONTHLY TOTAL

Income: \_\_\_\_\_

Expenses: - \_\_\_\_\_

TOTAL (Savings): \_\_\_\_\_



**New & Used Cell Phone Classifieds**

\$875

★ Mar 19 **New Apple iPhone 8 Plus Red**  
64GB \$875 (Londonderry) [X]

\$175

★ Mar 19 **iPhone 6s** \$175 (Hampstead) [X]

\$180

★ Mar 18 **Samsung Galaxy S6** \$180 [X]

\$260

★ Mar 18 **Motorola - Moto G6 (Brand New)**  
\$260 (Manchester) [X]

\$380

★ Mar 17 **Apple iPhone 8 - 64 GB Gold - UNLOCKED - Excel Condition** \$380 (Nashua) [X]

\$750

★ Mar 18 **New iPhone X** \$750 (Strafford) [X]

\$200

★ Mar 17 **Verizon Samsung Galaxy s7** \$200 [X]

\$89

★ Mar 15 **LG Sunset™ 4G LTE TracFone L33L Like New W/ Extra MINUTES** \$89 (Raymond New Hampshire area) [X]

\$350

★ Mar 3 **Galaxy S8 Plus** \$350 (Hillsborough) [X]