



Lesson 4: Save Your Money

Topic: Saving

About This Topic:

Exploring what banks do builds understanding of the benefits of setting aside money for future use by saving it in a bank.

From the classroom:

What is a bank? A bank is a business where people can deposit and withdraw their money.

How do banks work? Banks offer you a safe place to keep your money and pay you interest by using your deposits to make loans. When you have a savings account, you are lending money to the bank. The bank lends your money to other people. They pay the money back to the bank with interest. The bank gives you a small amount of the money they make.

Why is it important to save? When you save, you will have money to use in the future. It also ensures you will have the money you may need in case of an emergency or a special event.

What is interest? Interest is the amount you earn from deposits in your savings account.

Why would keeping money in a bank be more useful than saving money at home? Money kept in a bank is safe and can earn interest. Money kept at home does not earn interest.

Why is it important to save for emergencies? Emergencies are unexpected. If you save for emergencies, you will not have to worry about how to pay for them. You will already have the money saved.

Words To Know:

Bank: A financial institution and business that accepts deposits and makes loans.

Emergency Fund: Money set aside to pay for unexpected expenses.

Interest: Money that a bank or other financial institution pays you for keeping money on deposit with them, or the amount of money you pay a bank as a fee when you borrow money.

Save: Setting something, like money, aside to use in the future.

Savings Account: A bank account that you can use to set aside money, and that pays you interest.

Resources:

Books:

- *Banking (How Economics Works)* by Barbara Allman: Discover all about banks and banking, including savings accounts and key banking terms.
- *I Got Bank! What My Granddad Taught Me About Money* by Teri Williams: Jazz Ellington is a 10-year-old boy with a bank account who knows how to save money.

- *Saving Money (How Economics Works)* by Philip Heckman: Learn about banks and secrets to saving for the future.

Games and Online Resources:

- *Program for Kids*: Explore budgets, credit, and other money lessons with a friendly alien guide. <http://www.handsonbanking.org/htdocs/en/kPBS> *Mad Money*: Test your budgeting skills and save for emergency situations. http://pbskids.org/itsmylife/games/mad_money_flash.html

Conversation Starters ... Ask Your Child:

- If you received a gift of \$20, would you spend it or save it? Why?
- Is there anything unexpected that you need to buy with an emergency fund? Why might having an emergency fund be a good idea?
- Are you saving money to buy something? If so, how do you plan to reach your goal?
- Why might it be a good idea to keep your money in a bank?

Try This at ...

Home:

Decorate a Savings Container: Have your child create and decorate a savings container to keep money in one place until she or he can make a bank deposit.

Bank:

Learn the Interest Rate: If you haven't yet opened an account for your child, open one. Ask a bank teller to explain the saving account interest rate to your child.

Check Your Balance: After several months of your child making savings account deposits, go to the bank to check on her or his balance to see how much interest was earned.

School:

Youth Banking Programs: Youth banking programs are partnerships between schools and banks in which your child is given the opportunity to open and deposit money into a real savings account in school as part of a financial education program.

Having and using a bank account not only reinforces what your child learns about money in the classroom, but also gives your child opportunities to form healthy financial habits. Youth banking programs can:

- Prepare your child to open and learn about how a bank account works, which better positions them for economic opportunities.
- Prepare and empower your child to make sound financial decisions.
- Reinforce what your child is learning in the general curriculum, in math, social studies, and other subjects.

Financial education and real-life experience saving in an account can be a powerful combination. Research shows that having a bank account *boosts the effect of financial education* in the classroom. In addition, in-school banking *increases account ownership* and *improves attitudes toward banking*.

Children in grades 3–5 are still forming money habits and learning norms and rules of thumb that relate to money. Children are developing basic money management skills. As they gain knowledge and experience, they can gain self-confidence in their ability to manage their money. Youth banking programs for your child’s age group can promote your child’s development in these areas.

As a parent or caregiver, you can look for opportunities to get your child involved in one of these innovative programs.

- Ask your child’s teacher if the school offers a youth banking program or whether offering one is a possibility.
- Check with your bank to see whether they offer any programs or events that combine school-based financial education with the experience of saving in a bank account.
- If there is not a program in place at your school, consider putting the school in touch with a bank or nonprofit engaged in youth financial capability. Together, they can choose from a wide range of options to create a program that is a great fit for the school, the bank, and – most importantly – the students. Encourage them to visit FDIC’s Youth Banking Resource Center online at www.fdic.gov/youthsavings to learn more.

Once you find a youth banking program for your child, be supportive by:

- Returning any required forms or permission slips. If you have questions about forms, ask!
- Building a habit of saving. Even small amounts add up over time, so help your child stick to a habit of putting a bit into savings out of every amount they earn or receive.
- Showing interest. The conversations starters, family activities, and other resources in this Parent/Caregiver Resource Guide are a great way to show interest and reinforce learning.
- Volunteering. Ask how you can lend a hand. For example, help prepare supplies and materials for lessons. Or chaperone a field trip to a local bank branch.
- Participating. Many youth banking programs include special events for parents and families to learn and have fun doing it.