

Money, Banking, Saving, and Investing

How should you spend, save, and invest your money?

Speaking of Economics

As you complete the Reading Notes, use these terms in your answers:

- | | |
|-------------|-----------------|
| bank | interest |
| asset | principal |
| credit card | investing |
| debit card | diversification |
| saving | |

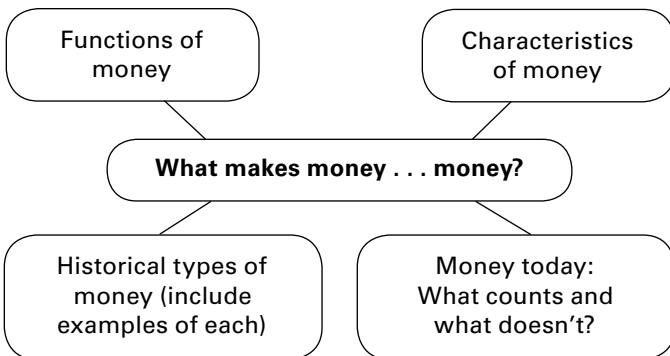
PREVIEW

Suppose a generous relative gave you a gift of \$1,000 for your high school graduation. In a short paragraph, outline what you would do with the money and the reasoning behind your decision.

READING NOTES

Section 2

Copy the spoke diagram. Add appropriate spokes of information to each of the four categories that surround the center.



Section 3

1. What is the main function of banks? How do banks execute that function?
2. Rank the three types of deposits that savers make at banks from “most liquid” to “least liquid.” Also rank them from the “highest return” to “lowest return.” If you wanted to save money at your bank for a purchase you plan to make one year from now, which type of deposit would you make? Why?
3. Create a simple symbol to help explain each of the three types of loans that banks commonly make: *commercial loans*, *consumer loans*, and *mortgage loans*. Write one or two sentences explaining who would typically take out each type of loan and what the money would be used for.
4. Complete this simile: *The Fed is to the nation’s banks as a _____ is to a _____.* Give two reasons why your simile makes sense.

Section 4

1. List three reasons why you should save money.
2. Calculate your personal saving rate (or that of a family member, if you have no income) by using the formulas below. Is your personal savings rate closer to 1% or 10%? Why do you save so much or so little?

$$\text{monthly income} - \text{monthly expenses} = \text{monthly savings}$$

$$\frac{\text{monthly savings}}{\text{monthly income}} = \text{personal savings rate (percentage)}$$

3. Create a simple diagram to represent the three sources of money that most people use to fund retirement. Annotate your diagram by recording at least two details about each type of retirement plan.
4. When creating a budget, what can you do to make sure you are a successful saver?

Section 5

1. In your own words, explain how compounding works. According to the rule of 72, if you deposit \$100 in an account that pays 9% compound interest, how long will it take that initial deposit to reach \$200?
2. Create a matrix like the one below. For each type of investment, record this information:
 - Is the risk high, moderate, or low?
 - Is the return high, moderate, or low?
 - How does this type of investment work? Explain in one or two sentences.

Investment	Risk	Return	How It Works
Government Bonds			
Corporate Bonds			
Stocks			
Mutual Funds			

3. Create a simple cartoon to illustrate the ideas of diversification and asset allocation. Your cartoon might include thought or speech bubbles, labels, and a caption.

P R O C E S S I N G

Design a trifold financial advising brochure that you, as a financial adviser, might distribute to prospective clients. Fold a sheet of paper in thirds just as you would fold a letter to fit into an envelope. Then create a brochure that includes

- a front cover with an appropriate title, graphic, and your name.
- an explanation of why spending, saving, and investing are important.
- at least three tips on spending.
- at least two tips on saving and a brief explanation of available savings options.
- at least two tips on investing and a brief explanation of available investment options.
- any other creative touches or information that might be of value to your clients.