

PFL Academy

Teacher Guide: Chapter 5.1 — Saving and Investing

OVERVIEW

TIME	MATERIALS	PREREQUISITES
45-50 Minutes	Student Activity Packet, Calculator	Basic understanding of interest

LESSON FLOW

5 min THE CHALLENGE

- Read Elena's scenario aloud. Poll: "What would YOU do with \$2,000?"
- Introduce the idea that different goals need different strategies.
- Preview that today's lesson will help them make these decisions.

8 min CORE CONCEPTS

- Review the 5 key terms. Use a T-chart to compare saving vs. investing.
- Emphasize that "risk" doesn't mean gambling—it means uncertainty.
- Discuss opportunity cost with a relatable example (e.g., spending vs. saving \$5/day).

27-30 min APPLY IT

- **Part A (8 min):** Saving vs. Investing decisions. Have students share reasoning.
- **Part B (10 min):** Growth comparison. Provide values for rows 3-4. Emphasize the dramatic difference over 30 years.
- **Part C (10 min):** SMART goal setting. Guide students through creating realistic, personal goals.

10 min CHECK YOUR UNDERSTANDING

- Complete in class. Focus discussion on the growth potential over time.
- Emphasize Q4: Short time horizons often favor saving even with lower returns.

DIFFERENTIATION

Support

- Provide values for Part B calculations (already given in packet).
- Create a simple decision tree: "Need money in < 3 years? → SAVE"
- Work through SMART goal example as a class first.
- Pair students for Part A scenarios.

Extension

- Calculate the impact of different savings rates (\$50/month vs. \$100/month).
- Research historical stock market returns vs. savings rates.
- Create a 5-year financial plan with both saving and investing components.

ANSWER KEY

Part A: Saving vs. Investing Decision

- Emergency Fund:** Saving. Because emergency funds need to be immediately accessible and secure—you can't afford to lose value right when you need the money.
- Retirement:** Investing. Because 40 years is enough time to ride out market fluctuations, and you need growth to beat inflation over such a long period.
- Vacation:** Saving. Because 8 months is too short to recover from a market downturn, and you need a guaranteed amount.

Part B: Growth Comparison

10-Year Values:

- Checking: \$1,000 (no growth)
- Savings: \$1,105
- Investment: \$1,967

30-Year Values:

- Checking: \$1,000 (no growth)
- Savings: \$1,348
- Investment: \$7,612

4. $\$7,612 - \$1,348 = \$6,264$ more by investing

5. Opportunity cost of checking: $\$7,612 - \$1,000 = \$6,612$ in potential growth lost

Part C: SMART Goal Setting

Accept any well-structured SMART goal. Look for: specific dollar amount, realistic timeline given their situation, clear reason why the goal matters, and logical saving/investing choice based on time horizon.

Check Your Understanding

- B (Time horizon until you need the money)
- With 40 years, you can ride out short-term market drops. Investments historically grow much more than savings over long periods. Also, you need growth to beat inflation.
- $\$2,000 \times 1.967 = \$3,934$
- Markets can drop in the short term. If the market drops 20% right before she needs to buy a car, she might not have enough. Saving guarantees the amount will be there.
- Look for thoughtful consideration of time horizon, risk tolerance, and goal importance.

COMMON MISCONCEPTIONS

Misconception	Clarification
"Investing is like gambling."	Gambling has negative expected returns. Historically, diversified investing has positive expected returns over long periods. Risk means uncertainty, not guaranteed loss.
"I should wait to invest until I have more money."	Starting early with small amounts is often better than waiting. Time in the market matters more than timing the market due to compounding.
"Saving accounts are safe, so they're always best."	With inflation, savings accounts can actually lose purchasing power over time. They're "safe" for short-term but risky for long-term wealth

building.