

Saving each payday

Students use a real-world simulation to learn how saving a little money each payday can be a successful strategy for saving.

Learning goals

Big idea

Saving money can help you achieve financial well-being.

Essential questions

- How does saving help me to meet my financial goals?
- How can I make a plan to save?

Objectives

- Create a plan to save a percentage of net income each payday
- Determine how long it will take to save for a big purchase based on a savings plan
- Understand the habits and practices that can make payday a save day

NOTE

Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

KEY INFORMATION

Building block:

 Executive function

 Financial habits and norms

Grade level: High school (9-12)

Age range: 13-19

Topic: Save and invest (Banking options, Choosing how to save, Saving for long-term goals, Saving for short-term goals)

School subject: CTE (Career and technical education), Math

Teaching strategy: Simulation

Bloom's Taxonomy level: Understand, Apply

Activity duration: 45–60 minutes

National Standards for Personal Financial Education, 2021

Saving: 8-1, 12-9

Spending: 12-1, 12-9

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

What students will do

- Review a real-world work scenario that appears in the “Saving each payday” worksheet.
- Calculate how long it will take to save for a car by saving a percentage of net income each payday.
- Brainstorm other financial habits and strategies for saving.

Preparing for this activity

- While it’s not necessary, completing the “*Storing my savings*” activity first may make this one more meaningful.
- Print copies of all student materials for each student, or prepare for students to access them electronically.
- To support Spanish-speaking students, there is a Spanish version of this activity.
 - You can use just the worksheet available at https://files.consumerfinance.gov/f/documents/cfpb_building_block_activities_como-ahorrar-cada-dia-de-pago_tabla.pdf.
 - A Spanish version of the guide is available at https://files.consumerfinance.gov/f/documents/cfpb_building_block_activities_como-ahorrar-cada-dia-de-pago_gui.pdf.

What you'll need

THIS TEACHER GUIDE

- **Saving each payday** (guide)
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STUDENT MATERIALS

- **Saving each payday** (worksheet)
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Exploring key financial concepts

Saving is a positive financial habit. It's wise to save a portion of your net income each payday. You can use your savings to cover unexpected expenses or for things like big purchases, investments, or retirement.

Having a percentage of your net income automatically put into a savings account is a great way to pay yourself first. To do this requires planning, goal setting, and the ability to delay immediate gratification for later rewards. When you pay yourself first, you're prioritizing your savings like you would a monthly bill you have to pay. One rule to live by is to save 10 percent of your net income, but you'll want to decide what savings amount works for you at different points in your life.

TIP

Because financial products, terms, and laws change, students should be encouraged to always look for the most up-to-date information.

Teaching this activity

Whole-class introduction

- Lead a whole-class discussion with students about reasons to save and setting up a plan to put money away regularly.
 - Ask students what kinds of things people save money for.
 - Be sure they include saving for emergencies or unexpected events, as well as saving for large purchases, like a car or cell phone.
- Be sure students understand key vocabulary:
 - **Bimonthly (semi-monthly):** Twice a month.
 - **Gross income:** Total pay before taxes and other deductions are taken out.
 - **Net income:** Amount of money you receive in your paycheck after taxes and other deductions are taken out; also called take-home pay.
 - **Savings:** Money you have set aside in a secure place, such as in a bank account, that you can use for future emergencies or to make specific purchases.
 - **Savings account:** An account at a bank (sometimes called a share savings account at a credit union) used to set aside money and that pays you interest.

TIP

Visit CFPB's financial education glossary at consumerfinance.gov/financial-education-glossary/.

Individual or group work

- Distribute the “Saving each payday” worksheet to students, or have students access the worksheet electronically.
- Have students work individually or in pairs to create a savings plan using the scenario and calculations table in the “Saving each payday” worksheet.

Wrap-up

- Bring the class back together to review lessons learned, questions, and strategies.
- Ask students to share the calculations from their completed worksheets.
 - This can help you to identify concepts that students understand well and those that might need more explanation.
- Ask students to make note of things they learn from other students as their peers share their answers.

Suggested next steps

Consider searching for other CFPB activities that address the topics of saving and investing, including banking options, choosing how to save, saving for long-term goals, and saving for short-term goals. Suggested activities include “Setting a SMART savings goal” and “Creating your own savings rules”.

Measuring student learning

Students’ answers on their worksheets and during discussion can give you a sense of their understanding.

The answer guide on the next page provides possible answers for the “Saving each payday” worksheet. **Keep in mind that students’ answers may vary.** The important thing is for students to have reasonable justification for their answers.

Answer guide

BUILDING A SAVINGS FUND ONE PAYDAY AT A TIME

Calculations	My answer	How to solve this
How much do I earn each payday?	\$1,541.67	$\$37,000 / 24 \text{ paydays (2 per month)}$
What is my "take-home pay" each payday (also called net income)?	\$1,079.17	$\$1,541.67 \times 30\% = \462.50 $\$1,541.67 (\text{total pay}) - \$462.50 (\text{deductions}) = \$1,079.17 (\text{net})$
How much can I save each payday?	\$215.83	$\$1,079.17 \times 20\% = \215.83
How many months will it take to save for a car?	About 10½ months	$\$4,500 / \$215.83 = 20.85 \text{ paydays}$ $20.85 / 2 (\text{paydays per month}) = 10.425 \text{ months}$ This is almost a year of work

Reflection questions

Answers will vary.