

LESSON 8

Why We Save

1. FOCUS

Student Objectives

- List the reasons people save.
- Identify the opportunity cost when people decide to save instead of spend, and consider whether a good decision has been made in deciding to save.
- Calculate how money saved can accumulate into a larger amount over time.

Background

All decisions involve trade-offs—gaining something and giving something up. People make decisions about spending and saving. If people save, they incur an opportunity cost—the opportunity to satisfy the next most favored want. When people spend, they give up the opportunity to save. In either case, they incur an opportunity cost; and the decision they face is choosing the option with the lower opportunity cost. Over time, savings accumulate into a larger amount. The three reasons for saving are: to purchase a planned good or service in the future; to buy a good or service that people suddenly see and want; and to deal with emergencies and unexpected events.

Concepts

Choices, money, opportunity cost, saving, savings account, spending, wants

2. PREPARE

- Copy of *Spend or Save?* story
- Paper penny strips
- Tags with days of the week printed on them
- Paper dimes (optional)
- Pictures of items to purchase that appeal to students
- Paper pocket
- Activity Sheet 13: *Savings Tree*

1. Prepare a paper penny strip for each student. Put five paper pennies on each strip.
2. Prepare three pictures of items students may wish to purchase: one which would be readily available, such as an ice cream cone; one which would require saving, such as a movie ticket; and one which represents something unplanned, such as spending for an inexpensive toy. Tape the first two pictures on the blackboard. Put the unplanned spending picture in a pocket made from construction paper on the chalkboard.
3. Enlarge Activity Sheet 13 for a bulletin board.
4. Cut out paper dimes for the Mathematics Connection. (optional)

3. TEACH

Introduction

Introduce the story *Spend or Save?* explaining that this story is about Penny and her saving and spending decisions.

Activities

1. Spend or Save?
 - a. Read the story *Spend or Save?* to the class.
 - b. Ask students the following questions:
 1. What is the decision that Penny has to make? (to spend or save)
 2. Why does Penny want a new vest? (She wants the new vest to wear with her new five-pocket jeans.)
 3. What two things does Penny want to spend money for? (a bicycle and a fancy vest)
 4. Why must Penny make a choice between the vest and the new bicycle? (She doesn't have enough money to buy both the vest and the bicycle, or even enough to buy the bicycle now. She only has enough money to buy the vest now.)
 5. Why might Penny give up the vest now to have the bicycle later? (She realizes that money saved adds up over time. If she gives up the vest now, she will have more money for the bicycle and be able to buy it sooner.)
 6. How does Penny decide that she can have both a vest now and a bicycle later? (She decides to decorate her old denim vest, creating a "new" one. This will help her save money to buy the bicycle later, when she has accumulated enough money.)
 7. What will Penny have to give up to save for a bike later? (the fancy vest her opportunity cost)
 8. What does it mean when the story states, "Penny's plans are coming together?" (It means that Penny is learning to plan for a future purchase. She made a decision that will help her purchase a bicycle by saving her money now.)
 9. How does Penny discover that she already has more money than she thought? (She counted the coins in her penny bank and found that she had saved more than she remembered)
 10. Why is Penny's mother proud of her? (She is proud because Penny made her own decision about the vest and the bicycle.)
 11. Where do you think Penny should keep her money? Why? (answers will vary)
 12. What does the bank teller mean when she tells Penny, "Have fun watching your money grow." (She means that when you save money instead of spending it, it will keep adding up, "growing" in amount.)

- c. Ask students to recall that Penny learned about a savings account, a passbook, and a deposit slip when she visited the bank with her mother. Have students explain the meaning of each of these three terms. Discuss:
 1. What is a savings account? (the money a person has deposited at a bank for future purchases)
 2. What is a passbook? (a record of how much a person has in a savings account)
 3. What is a deposit slip? (a form that shows the amount a person intends to deposit in the bank)

2. It Adds Up!

- a. Remind students that, in the story, Penny decides to save the money she would have spent so that she will have more money to spend on a bicycle later.
- b. Explain that students will participate in a saving activity.
- c. Give each student a paper penny strip.
- d. Ask students what they can buy individually with the coins they have. Record responses.
- e. Explain that if they spend the five cents they have now, their alternatives for spending may be very limited because they have such a small amount of money.
- f. Ask students to think about how much money they would have if they didn't spend their pennies now, but instead saved an additional five pennies each day for one week. Guide students by discussing the number of days in a week and how they can calculate the number of pennies they would have in one week.
- g. To discover the answer, choose seven students to represent the days of the week. Have them stand in front of the classroom, each holding a tag designating a day of the week and a paper penny strip. Remind students that each of these pupils represents the five cents that each student now has.
- h. Counting by fives, have the students say 5, 10, 15, 20, 25, 30, 35. The person holding Monday says "five cents," the person holding Tuesday says "ten cents," and so on until the Sunday person says "35 cents."
- i. Explain that they can now see that in seven days they will each have 35 cents. This will help young children learn that savings increase day by day.
- j. Continue the activity, depending on the maturity of the students, by challenging them to decide how much can be saved at the rate of five cents a day for four weeks. (\$1.40) As an option, have students use calculators, and introduce multiplication to older students.
- k. Ask students what they can buy with \$1.40. Record these responses, comparing them to students' responses when they only had 5 cents to spend.
- l. Discuss with students how saving only a nickel a day (remind students that a nickel equals five pennies, or five cents) can possibly help them make better purchases in the future.

3. Let's Make a Deal

- a. Explain that Penny had to make a choice about whether to spend or save. In this activity, students will make decisions about spending now or saving for planned, unplanned, or unexpected purchases in the future.

- b. Tape two pictures of items students would like on the chalkboard. One item should be something that is immediately available for purchase, such as an ice cream cone. The other item should be something that has a higher price and requires saving, such as a movie ticket. Hide a third item, which would be an example of unplanned spending or unexpected spending in a pocket taped to the chalkboard.
 - c. Explain that students must decide which of the three items they prefer to have and why. (They may prefer the first item because they can have it now. It would not be necessary to save. They may prefer the second item because it is worth the wait. The third item represents something that is unknown, something that might come up in the future. Students may prefer this item if the first two are not appealing.)
 - d. Allow time for students to make a choice, choosing among items one, two, or three.
 - e. Have students explain their choices by comparing how much they like to spend now for something available and known with spending for something that is unplanned or unexpected.
 - f. Ask students to identify their opportunity costs after they have made their decisions. Have them consider whether they have made the best possible decisions in light of their opportunity costs.
 - g. Talk with students about why it is so hard to make saving and spending decisions with money and to decide, like Penny, whether to spend or save.
4. Voice, Write, and Read A Choice
- a. Take the third item out of the paper pocket, and show it to the students.
 - b. Ask students to decide if they would stick with their original choices or change their minds now that they have explicitly considered how much they like each of the options. Have them explain their reasoning.
 - c. Have students write about their choices, their opportunity costs and their reactions to their choices.
 - d. Provide time for students to read what they have written to the class.

4. CONNECT

Bulletin Board Connection: Place an enlarged Activity Sheet 13 on the bulletin board. Use the savings tree to reinforce the second activity, *It Adds Up*, in this lesson. Help students add the daily five-cent increments by counting in fives, similar to step h in the activity. Amounts may be changed, along with activities, to coordinate with the interactive bulletin board.

Mathematics Connection: Draw a bar graph (pictograph) which will measure wants and how long it will take to save enough money for these wants if one dime a day were saved. Label the horizontal axis *days*. Each interval along the axis represents one day. Each interval should be at least the width of a paper dime. There should be enough days along the horizontal axis to accommodate the highest-priced item. Write the wants or glue pictures of wants along the vertical axis of the graph. Write the price of each want next to the item. Label the vertical axis *wants*.

Provide a supply of paper dimes to equal the prices of all items. Explain that students will graph how many days it would take to save enough money to buy a particular item if ten cents were saved each day. Ask a student to tape or glue paper dimes to the right of an item, showing the number of saving days necessary.

Science Connection: Display a money plant for students to see. A money plant can be easily obtained from a craft store. Ask students why they think this plant is called a money plant, leading to a discussion that this is only its common name. The seeds of the money plant are in the shape of coins.

Obtain money plant seeds from a hardware store, or nursery, or through a seed catalogue. Plant seeds, and grow the plants in a lighted window or with a grow lamp for 8-10 weeks. Have students help in taking care of the plant to see that it is watered and kept warm. As the seeds grow into plants, discuss the responsibility of the students to nurture the plants. Students must have patience as the plants grow. Explain that the growth of the money plant, like the growth in savings, requires nurturing, time, patience, and work to see results.

Writing/Characterization Connection: Have the students choose a character from the story *Spend or Save?* Ask them to think about how that character would react in making decisions to spend now, save for a big purchase, or save for an unexpected event or emergency. Have students write a story about one of the characters in a decision-making situation. Allow students to share their stories.

Children's Literature:

Caudill, Rebecca, 1964. *A Pocketful of Cricket*. New York: Henry Holt & Company. This is the story of a young boy who stuffs his pocket full of things he values. One day he decides to empty his pocket for one special thing, a cricket.

Greenfield, Eloise, 1978. *Honey I Love*. New York: Harper & Row Publishers. The poem "Keepsake" expresses the feelings of an African-American child who decides to save a nickel because of the special value she has placed on it.

Hoban, Lillian, 1981. *Arthur's Funny Money*. New York: Harper Trophy, a division of Harper Collins Publishers. In this beginning reading book, Arthur doesn't have enough money in his piggy bank to buy the Frisbee T-shirt and matching cap he wants. His sister, Violet, learns mathematics as he earns enough money for the T-shirt, cap, and has money left over for licorice twists for both of them.

Pellowski, Michael J. 1986. *Moosey Saves Money*. Mahwah, New Jersey: Troll Associates. Moosey really likes to save money, but eventually he learns that there are times when it is wise to make decisions to spend instead of save.

Ross, Tony 1989. *I Want a Cat*. New York: Farrar Straus Giroux. Jessy wants a pet cat so much that she sews a cat suit and wears it to school. After several adventures, her father goes to the pet store and buys her a cat.

Teacher Resources

Phipps, Barbara J., Martha C. Hopkins, and Rita Littrell, 1993. *Master Curriculum Guide in Economics: Teaching Strategies, K-2*. New York: National Council on Economic Education. This book has lesson plans and resources for teaching economics in the kindergarten through the second grade curriculum.

Spend or Save?

"Spend or save, spend or save? What to do? Buy a vest, save for a bike? Oh what to do?" thinks Penny as she looks at her reflection in the mirror. Penny is wearing her new five-pocket jeans. As she looks at her reflection in the mirror, she thinks about ways to use the money that she earned when she walked Mr. Lopez's dog, Brandy. She has had fun dreaming about what to do with the money. She has so many wants. Like everybody, Penny's wants go on and on. Now she is planning how to use the money she earned. She is very proud of her five-pocket jeans and wants a fancy vest to wear with the jeans. As much as she wants a fancy vest, she also wants a bike. She knows that she doesn't have enough money to buy a bike, though she does have enough to buy a fancy vest. She asks herself, "Do I spend money now for a vest, or do I save money so that I can buy a bike later? If I buy the vest, I will have to wait longer for the bike. If I save for the bike, I can't have the vest. Which one do I want more? What am I willing to give up more readily to get what I want?"

The telephone rings. When Penny answers the phone, she hears Sally's voice. "Oh, Penny, guess what my mom is teaching me to do? She is showing me how to decorate my old denim shirt. Penny, I am having lots of fun decorating the shirt. I bet you could make your old denim vest look fancy if you decorated it the same way I am decorating my old shirt. It would look great, Penny. Mom said that she would show you how to decorate your vest. What do you think?"

"Sally, I like your idea. If your mom teaches me how to make a fancy vest, then I can save more money to buy a bike."

Penny's plans are coming together. She will learn how to decorate her old vest so she can wear it with her new five-pocket jeans. She will save money so that she can buy a new bike. First Penny looks in a catalog to find out the price of bikes. As she reads information about bikes, she realizes that she must decide what kind of bike she wants a mountain bike, a street bike, or a racing bike. Then she needs to know how much money she already has and how to save the money she still needs.

Penny lies across the bed with her penny bank in front of her. She opens up her penny bank and lets the coins fall out all over the bed cover. As she counts the coins, she realizes that she has already been saving money. All these coins are adding up to a lot more money than she thought she had. In a little notebook, she records the money from the penny bank and the money that she earned for walking Brandy. Then she adds the two amounts together. She notices that she still needs more money to buy a bike.

Mom comes into Penny's bedroom with a pile of clean clothes in her arms, "What are you figuring out in your notebook, Penny?" asks Mom.

"I want to buy a bike and I don't have enough money to get one. I have to save more money if I want to get a bike. I counted all the coins in my penny bank. With the money I earned for walking Brandy, I still don't have enough to get a bike. See, I wrote it all down in the notebook."

"Penny, I am proud of you. You have thought about how to use your money. You have made a decision to save money to buy a bike. Bikes cost lots of money more money than you have right now. It will take time to save the rest of the money you need. Have you decided where to keep the money you already have saved?" asks Mom.

Penny looks up at Mom and asks, "Is there a special place for me to save money other than my penny bank?"

Mom smiles and says, "Penny, I need to go to the bank this afternoon. How would you like to go with me? Maybe we can get an answer to your question at the bank."

At the bank, Penny meets a friendly man who invites her to sit down at a desk. The man tells Penny about savings accounts, passbooks, and deposit slips. "Penny, people who save money find many ways to keep their money until they want to withdraw it. A savings account is one way to keep the money until you want it. When you visit a bank, you fill out a deposit slip to tell the bank how much you are putting into your savings account. The bank teller records the money into a passbook that you keep as a record of how much is in your savings account."

Penny fills out a deposit slip, showing how much money she wants to put into her new savings account. She takes the deposit slip and her money to the bank teller. The teller accepts the money, reads the deposit slip, and records Penny's deposit in the passbook. When the teller hands Penny the passbook, she says, "Have fun watching your money grow, Penny."

As Penny sits next to Mom in the car, she asks, "What did the lady mean about watching my money grow? Does money really grow?"

Mom laughs and says, "Penny, money doesn't grow like a plant or little puppy. People say that money grows when you save the money and the amount grows larger and larger. The more you save, the more the money grows."

Penny laughs and says to Mom, "Then I am going to have fun watching my money grow. I'm going to take good care of my new passbook. Now I need to figure out how to earn the rest of the money I need to buy a new bike. As I earn and save more money I can watch my money grow."

ACTIVITY SHEET 13

Savings Tree

