Participant Guide

FDIC Financial Education Curriculum

Pay Yourself First

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Checking In

Welcome

Welcome to *Pay Yourself First*! Saving money is an important part of building your financial future. This module will give you some tips to help you get started. It will also show you how your money can grow when you save and give you some important information about saving and investment products.

Objectives

After completing this module, you will be able to:

- Explain why it is important to save
- Determine goals for saving money
- Identify savings options
- Determine which savings options will help you reach your savings goals
- Recognize which investment options are right for you
- List ways to save for retirement
- List ways to save for large expense goals, including: a child's college tuition, a car or home purchase, or a vacation

Student Materials

This *Pay Yourself First* Participant Guide contains:

- Information and activities to help you learn the material
- Tools and instructions to complete the activities
- Checklists and tip sheets
- A glossary of the terms used in this module

Pre-Test

Test your knowledge about saving money before you go through the course.

1. **Select all that apply. *Paying yourself first* means:**
   a. Putting some of your income into a savings account before paying bills
   b. Buying personal items before paying bills
   c. Putting money in a savings account if there is any left after paying bills
   d. Putting tax refunds or cash gifts in a savings account before spending the money

2. **Saving is important so that you can:**
   a. Have money for emergencies
   b. Achieve your financial goals
   c. Manage your money better
   d. Improve your standard of living
   e. a and b
   f. All of the above

3. **Which of the following are ways you can save for retirement? Select all that apply.**
   a. Build home equity, then apply for a home equity loan
   b. Invest in stocks, bonds, or mutual funds
   c. Establish a 529 Plan
   d. Enroll in a 401(k) or 403(b) plan

4. **Which of the following are good strategies to apply when selecting the savings or investment option that is best for you? Select all that apply.**
   a. Select one product to save/invest all your money
   b. Choose savings/investment products that match your risk tolerance
   c. Trust others to give you good investment advice
   d. Re-evaluate your savings/investments periodically

5. **What should you consider when establishing goals for saving money? Select all that apply.**
   a. The amount of money you want to save
   b. Timeframe of when you need to access the money saved
   c. Ways you can cut spending and save
   d. The annual percentage yield (APY) of different savings products
   e. All of the above

6. **Which of the following would be considered a *need* rather than a *want*? Select all that apply.**
    a. Paying rent/mortgage
    b. Buying new clothes on impulse
    c. Eating out at restaurants regularly
    d. Getting the maximum/largest plan for your cell phone/cable/etc.

7. **Which of the following will help you save money? Select all that apply.**
    a. Pay your bills on time to avoid late fees/extra charges
    b. Consider opening a checking account rather than using a check-cashing store
    c. Make impulse purchases
    d. Save your change at the end of each day

8. ***APY* means:**
    a. The amount of interest you pay on a loan
    b. The annual interest rate you will earn on your savings or other deposit account
    c. The minimum percent of your income you must save each year to keep your savings account
    d. To be careful you are getting the correct amount of interest on your savings account

The Meaning and Benefits of "Pay Yourself First"

Paying yourself first means that when you get a paycheck, tax refund, cash gift, or other money, you should put some of that money in a savings account before you pay your bills.

There are many reasons to pay yourself first. You can:

- Save money toward goals you have identified
- Improve your standard of living
- Learn to manage money better
- Have money for emergencies

Some major expenses people save for include:

- Unexpected events (e.g., loss of a job, car repair, or unexpected medical bills)
- Down payment for a house, a car, or other large purchase
- Education
- Retirement
- Vacation

Activity 1: Pay Yourself First Worksheet

Think about and write down any savings goals you have and the amount you need to save.

1. **My savings goals:**
   - ______________________________
   - ______________________________
   - ______________________________
   - ______________________________

Write down some ways to save money for the goals you identify.

2. **Strategies to save for my goals:**
   - ______________________________
   - ______________________________
   - ______________________________
   - ______________________________
   - ______________________________

Savings Tips

1. Consider needs versus wants. Think about the items you purchase on a regular basis. These add up. Where can you save?
   - Do you eat out at restaurants a lot?
   - Can you cut back on daily expenses (e.g., coffee, candy, soda, or cigarettes)?
   - Do you have services you do not really need (e.g., cable television)?
2. Use direct deposit or automatic transfer to savings.
   - When you get paid, put a portion in savings through direct deposit or automatic transfer.
   - If you have a checking account, you may sign up to have money moved into your savings account every month. What you do not see you do not miss!
   - You may purchase United States (U.S.) Savings Bonds through payroll deduction.
3. Pay your bills on time. This saves the added expense of:
   - Late fees
   - Extra finance charges
   - Disconnection fees for utilities (e.g., phone or electricity)
   - Fees to reestablish connection if your service is disconnected
   - The cost of eviction
   - Repossession
4. Consider opening a checking account at a bank or credit union instead of using check-cashing stores. You might pay 2 percent or more of each check you cash. Two percent of a $500 check is $10. This can easily add up to several hundred dollars in fees every year. If you would like more information about checking accounts, you can take the *Check It Out* module.
5. Put some money into a savings account if you get a raise or bonus from your employer.
6. Keep making the monthly payments to yourself once you have paid off a loan. You can save or invest the money for your future goals.
7. Save at least part of any cash gift you receive.
8. Avoid debt that does not help build long-term financial security, including: loans for a vacation, clothing, and dinners out in restaurants. Examples of debt that helps build long-term financial security include:
   - Paying for college education (for you or your child)
   - Buying or remodeling a house
   - Buying a car for work transportation
9. Pay off high-interest credit cards or other loans as soon as you can.
10. Save your change at the end of the day and deposit it weekly or monthly.
11. Save as much of your tax refund as possible. Choose to receive your tax refund via direct deposit. You can split it between a maximum of three different accounts (e.g., checking and/or savings accounts). You can also choose to use part of your refund to purchase a U.S. Savings Bond.
12. Join a retirement plan (i.e., a 401(k) or 403(b) plan) if your employer offers one and deducts the money from your paycheck! Most employers will match up to $.50 of each dollar you contribute. The matched amount is free money!

13. Do your homework if you decide to purchase investments. Know what you are investing in and get professional advice if you need it. You should have at least two to six months of emergency cash savings before you begin investing in investment products that are not federally insured.
14. Reinvest the dividends of any stocks you own to purchase more stocks. Some companies offer an easy way to do this called a Dividend Reinvestment Program (DRIP). This process grows your investment faster, similar to compounding.
15. Join an investment club if you are interested in learning about investing. Investment clubs are groups of people who work together to understand the process and value of investing even small amounts of money (as little as $5 to $10).

How Your Money Can Grow

Making regular payments to yourself, even in small amounts, can add up over time. The amount your money grows depends on the interest earned and the amount of time you leave it in the account.

Interest and Compound Interest

Interest is an amount of money banks or other financial institutions pay you for keeping money on deposit with them. Interest is expressed as a percentage and is calculated based on the amount of money in your account.

Compounding is how your money can grow when you keep it in a financial institution that pays interest. When the bank compounds the interest in your account, you earn money on the previously paid interest, in addition to the money in your account. Not all savings accounts are created equal. This is because interest can be compounded daily, monthly, or annually.

Annual Versus Daily Compounding

Annual Compounding	Daily Compounding
• Start with $1,000 at 1% compounded annually. • At the end of the first day, you still have $1,000. • At the end of the year, you have $1,010.00 – $10, or 1% of $1,000 is added to the original deposit.	• Start with $1,000 at 1% compounded daily. • At the end of the first day, you have $1,000.03. • On the second day, add the interest earned, $.03, and compound the total amount – $1,000.03… • At the end of the year, you have $1,010.05 from compounding each day's interest rate added to $1,000.
Total: $1,010.00	**Total: $1,010.05**

Compound Interest Over Time

	5 years	10 years
Mattress compounding—NO interest!	$1,000 (unless stolen or lost)	$1,000 (unless stolen or lost)
Annual compounding at 1%	$1,051.01	$1,104.62
Monthly compounding at 1%	$1,051.25	$1,105.12
Daily compounding at 1%	$1,051.27	$1,105.17

Daily Savings

Saving 50 cents a day:

	No interest	2% Daily Compounding
Year 1	$182	$184
Year 5	$912	$957
Year 10	$1,820	$2,014
Year 30	$5,460	$7,480

Saving $1 a day:

	No interest	2% Daily Compounding
Year 1	$365	$368
Year 5	$1,825	$1,914
Year 10	$3,650	$4,029
Year 30	$10,950	$14,960

Saving $5 a day:

	No interest	2% Daily Compounding
Year 1	$1,825	$1,838
Year 5	$9,125	$9,569
Year 10	$18,250	$20,144
Year 30	$54,750	$74,798

Annual Percentage Yield (APY)

APY reflects the amount of interest you will earn on a yearly basis. It is expressed as a percentage.

- The APY includes the effect of compounding. The more often your money compounds, the higher the APY and the more interest you will receive.
- When comparing different accounts, you should compare the APYs of the savings products, not the interest rates.
- Please note that the interest you earn is considered income, and you may have to pay taxes on it.

Rule of 72

The *Rule of 72* is a formula that lets you estimate how long it will take for your savings to double in value. This calculation assumes that the interest rate remains the same over time.

Here is how you calculate it:

- Divide 72 by the current interest rate to determine the number of years that it will take to double your initial savings amount.
- For example, if you invest $50 in a savings account at a 4 percent interest rate, it will take 18 years for your initial savings of $50 to double. (72 ÷ 4 = 18)
- You can also estimate the interest rate you would need to earn to double your money within a set number of years.
- For example, if you put $500 in an account that you want to double in 12 years, you will need an interest rate of 6 percent. (72 divided by 12 = 6 percent)

If you want your savings account to double in value in 20 years, what interest rate would the account need to have?

____

Saving Options

There are two basic ways to save money. You can open a savings account or you can invest your money. An important difference between the two is that savings accounts are federally insured and investments are not.

With a savings account, you make money by earning interest. The bank pays you interest for the opportunity to use your money. A savings account also ensures that your money is safe and that you have easy access to it.

The Federal Deposit Insurance Corporation (FDIC) insures your money in insured financial institutions up to the maximum allowed by law. The National Credit Union Administration (NCUA) insures your money at insured credit unions. This means that if your financial institution goes out of business and cannot pay you your money, the FDIC or NCUA will make sure that you receive it up to the insurance limit.

The FDIC has an online tool called **Electronic Deposit Insurance Estimator (EDIE)**. It lets you calculate the insurance coverage of your accounts at each FDIC-insured institution. You can find EDIE online at www.myfdicinsurance.gov.

Savings Products

There are three savings products available at most banks:

- Money Market Account
- Certificate of Deposit (CD)
- Statement Savings Account

Individual Development Account (IDA)

IDAs are matched savings accounts. When an account is matched, it means another organization (e.g., a foundation, corporation, or government entity) agrees to add money to your account to match the money you save in it.

Organizations will match the money people save in IDAs to encourage low-income families to save money on a regular basis. IDAs are based on the concept that asset building is necessary to break the cycle of poverty, and to help families become financially independent. *Asset building* refers to people purchasing or holding items that will help them financially in the future. Organizations involved in IDA programs want to help low-income families become self sufficient.

How can I use IDAs?

If you open an IDA, the money must be used for a specific purpose. Allowable purposes may include:

- Job training
- College education
- Small business start-up
- Purchasing a home

There are a few programs that allow you to save for other purposes. However, most programs will only offer accounts for the purposes listed above, because they are likely to increase your future financial security.

How do IDAs work?
Each IDA program is a little different, so you must ask the person who runs the program in your area about the details. However, all IDA programs have many similar features.

IDA programs are generally run by local community-based organizations. They help to recruit eligible people into the program and usually organize the required training sessions for the participants. Most IDA programs require that the participants take a certain number of financial education courses. Your reward for saving is the education you receive throughout the program, and the money that is added to your account at the end of the program.

How can I open an IDA?
IDA programs may not be available in every community. If you are interested, you can:

- Check the following website to search for programs by state: www.idanetwork.org.
- Ask local Community Action Agencies, other community groups, and bankers if they know of any programs in the area.

Electronic Transfer Account (ETA)

An *ETA* is a low-cost account that provides federal payment recipients with the opportunity to receive their federal payments through direct deposit. The ETA is offered only through federally insured banks, thrifts, and credit unions.

Who is qualified to open an ETA?
Anyone who receives any of the following federal payments can take advantage of an ETA:

- Social Security
- Supplemental Security Income (SSI)
- Veterans' benefits
- Federal employee salary or retirement
- Railroad retirement payments

How does an ETA work?
The ETA is a voluntary program for both the consumer and the financial institution. Banks, thrifts, and credit unions that partner with the U.S. Treasury to provide the ETA offer an account that features:

- A monthly fee of $3 or less
- At least four cash withdrawals and four balance inquiries per month at no additional charge
- No minimum balance, except as required by state law
- Debit cards are offered by many institutions
- Monthly statements
- The same consumer protections as other account holders

Some banks may offer more or better services for their ETA program. For example, you might have the option of depositing other types of payments into the ETA account. Some institutions may also pay interest.

How can I open an ETA?

You can find participating financial institutions in your area by accessing the website www.eta-find.gov or calling **1-888-382-3311**. Participating banks and credit unions must open an account for you regardless of your credit history, unless you have previously held an ETA that was closed because of fraud.

College Savings

Why is it important to save for college?

According to U.S. Census Bureau statistics, people with a college degree can earn over 60 percent more on average than those with only a high school diploma. Over a lifetime, that is a more than $1 million gap in earning potential. It is wise to consider getting an education beyond high school.

What is a 529 Plan?

A *529 Plan* is an education saving plan operated by a state or educational institution. It is designed to help families set aside funds to pay for future college costs. There are two kinds of plans: prepaid tuition and savings. Every state offers at least one kind of 529 Plan.

What are the advantages of 529 Plans?

- Investments grow tax deferred, and distributions are not subject to federal tax, and often state tax, if they are used for eligible college costs of the beneficiary.
- Plan assets are professionally managed either by the state's treasury office or by an outside investment firm hired as the program manager.
- Everyone is eligible; there are no income limitations or age restrictions.

Most college savings plans are not guaranteed by the state or by the FDIC. However, some states are now offering 529 college savings plan options that are FDIC insured. Be sure to carefully consider the plan's investment objectives, risks, charges, and expenses before investing any money.

What are some other ways to save for college?

1. Buy U.S. Savings Bonds to save for college. This is easy through automatic payroll deductions, and earnings may be tax-exempt if qualified.
2. Consider studying in-state and commuting to college from home to lower tuition, room, and board costs.

Buy an Investment

An *investment* is a long-term savings option that you purchase for future income or financial benefit. Many banks now sell investment products (e.g., mutual funds). While some investment products are sold at banks, they are not the same as deposit accounts because the money you invest is not federally insured.

When you invest money, there is also a greater risk of losing it than if you put your money in a savings or other deposit account. In fact, there is a possibility that you might lose the entire amount you invest if the investment does not perform well.

On the other hand, your investment may earn and grow more than a regular savings account because of the risk you take when you invest your money. In general, the higher the risk, the higher the expected rate of return on the investment. You make money on investments by selling them for more than you paid for them, or by earning dividends and interest. The money you earn is considered income and you may have to pay taxes on it.

In case of an emergency, sudden illness, or job loss, you always want to be able to support yourself and your family. Therefore, most financial advisors recommend that, before you do any investing, you should have a savings cushion that will allow you to pay bills and expenses for six months. While you might find this cushion hard to attain, even a small rainy day fund is important. Any money you have saved beyond this savings cushion can be used for investing.

Investment products include:

- Bonds
- Mutual funds
- Retirement investments
- Stocks
- U.S. Treasury securities

Savings Bonds

I Bonds are purchased at face value, which is the amount printed on the bond. In other words, a $50 bond will cost $50. I Bond interest is composed of a fixed rate plus an inflation rate, which may change every six months. Interest is added to the bond monthly and is paid when the bond is cashed. I Bonds must be held for one year before they can be cashed. If an I Bond is cashed within the first five years, there is a three-month interest penalty.

EE Bonds are normally purchased at half their face value, so a $50 bond will cost $25. If you buy EE bonds electronically via www.TreasuryDirect.gov, they are sold at face value. All EE Bonds purchased after May 2005 earn a fixed rate of interest. EE Bonds must be held for at least one year before they can be cashed. If an EE Bond is cashed within the first five years, there is a three-month interest penalty.

Other Treasury Securities

U.S. Treasury securities are offered by the Federal Government, and include:

- *Treasury bills* or T-bills are sold at a discount from their face value and range in terms from a few days to six months. When a T-bill matures, you will be paid the face value. They pay interest every six months.
- *Treasury notes* or T-notes pay interest every six months and are issued in terms of two, three, five, and ten years.
- *Treasury Inflation-Protected Securities (TIPS*) provide protection against inflation, and the interest rate is tied to the Consumer Price Index. TIPS pay interest twice a year.
- *Treasury bonds* or T-bonds pay interest every six months and range in terms from 10 to 30 years.

The minimum purchase price for these products is $100. Buying U.S. Treasury securities and savings bonds is a safe investment because your money is backed by the U.S. Government. Savings bonds may be purchased through a payroll deduction, through your financial institution, and at www.TreasuryDirect.gov.

Corporate Bonds

When you buy *corporate bonds*, you are lending money to a corporation for a certain period of time, called a *term*. The corporation promises to repay the amount of money you are lending it on this specified date in the future. In addition, it may promise to make regular interest payments to you. You may lose money if the corporation fails to honor its promises.

Stocks

When you buy a *stock*, you own part of the company, called a *share*. A company that does well might periodically pay you dividends. Dividends are the portions of the company's profits that it gives to you as a shareholder. The value of your investment changes according to the stock market. When you sell the stock, you may either earn or lose money.

Mutual Funds

Mutual funds are offered by companies that combine money from many investors to purchase numerous separate investments. The investment products in a mutual fund are managed by a professional and typically include numerous stocks and bonds.

By combining your money with the money of other investors, you can diversify even a small investment. *Diversification* is the concept of "do not put all of your eggs in one basket." Diversification reduces the risk that you will lose your money because you spread the risk of loss across many savings and investment options.

Like stocks, mutual funds may pay dividends, and they may also gain or lose money over time.

IRA

An *Individual Retirement Arrangement (IRA),* also known as an *Individual Retirement Account,* is the most basic kind of retirement arrangement. With an IRA, you deposit money into an account, which may include a combination of stocks, bonds, mutual funds, or Treasury securities. These types of accounts are tax exempt and generally designed to help ensure adequate income for retirees.

Though an IRA generally grows over time due to interest earned and your contributions, it may also lose value depending on the stock market and your investment choices. You should talk to an experienced investment professional for help making the best investments for you. There are two main types of IRAs: traditional IRAs and Roth IRAs.

A *traditional IRA* is a personal savings plan that gives you tax advantages for saving for retirement. Contributions to a traditional IRA may be tax deductible, based on the amount of your contribution and your income. The earnings on the money in your IRA are not taxed until they are distributed (you withdraw them). A traditional IRA can be established at many different financial institutions, including: banks, insurance companies, and brokerage firms.

A *Roth IRA* is also a personal savings plan, but operates somewhat the reverse of a traditional IRA. For instance, contributions to a Roth IRA are not tax deductible, while contributions to a traditional IRA may be deductible on your annual income tax return. However, while distributions (including earnings) from a traditional IRA may be included in income, the distributions (including earnings) from a Roth IRA are *not* included in income. For both IRA types—traditional and Roth—earnings that remain in the account are not taxed. A Roth IRA can be established at the same types of financial institutions as a traditional IRA.

Under a *payroll deduction IRA*, an employee establishes an IRA (either a traditional or a Roth IRA) with a financial institution. The employee then authorizes a payroll deduction for the IRA, with the remainder of the employee's pay is distributed to the employee as before.

401(k) and 403(b) Plans

A *401(k)* plan is a retirement savings plan established by an employer that lets its employees set aside a percentage of their pay before taxes are taken out. This can help lower your tax bill.

A *403(b)* plan is a retirement savings plan for employees of public schools and certain tax-exempt organizations.

Characteristics of 401(k) and 403(b) plans include:

- A maximum contribution limit per year—you can invest up to a certain amount of your own money each year, not counting interest earned
- A penalty, or fee, on early withdrawal before age 59½, except in special circumstances
- Portability—you can move the money into an IRA (called *rolling over*), or roll it over into a new 401(k) plan if you change employers
- Choices—generally, you get to choose how to invest the money in your plan
- Your employer may match a certain percentage of the money you invest in the retirement plan. Not taking advantage of this match is like leaving free money on the table.

Variable Annuities

A *variable annuity* is an insurance contract that invests your premium in various mutual fund-like investments. It is usually sold by financial brokers and insurance agents as an investment toward retirement. The brokers and agents earn a commission on the annuity sold, and may be motivated to sell you something that may not be best for you financially.

Variable annuities can be very costly due to the fees, which may include: annual fees, surrender charges on early withdrawal, and life or living benefit fees. Often, you must hold the annuity for at least 10 to 20 years to justify the fees.

How to Choose the Best Investment

- Learn as much as you can about the investment from the prospectus, financial magazines, and the plan administrator.
- Remember that past performance is not a guarantee of future performance.
- Consider how long you plan to keep your money in the investment. If you invest over time, you are more able to ride out the ups and downs of the stock market.
- Diversify. You should have a mix of investment products that reflect your needs for return, safety, and long-term savings.
- Re-evaluate your investments from time to time. Your ideal composition of investment products will shift over time.
- Determine how much risk you are willing to tolerate. Remember, there is a trade-off between risk and return.

Before investing for retirement:

- Ask your employer about any retirement accounts that are offered through work.
- Learn more about investment options from your bank's customer service representative or a reputable financial advisor.
    - Do not follow investment advice blindly. Do your own research.
    - Read the prospectus of an investment product or instrument carefully.
    - Get more information from reliable sources; for example:
        - Internal Revenue Service (IRS): www.irs.gov
        - www.pueblo.gsa.gov/cic_text/money/401k/401k.htm
    - Use the public library for more resources
- Do not invest in anything you do not fully understand.

Remember, investments are NOT federally insured. You could lose the interest AND the principal of your investment.

Other Investments

There are two more investment options: owning a home or business.

Owning a home is an investment because the house generally increases or appreciates in value. *Equity* is the difference between how much the house is worth and how much you owe on the house. For example:

Value of home	= $250,000
Minus Debt (how much you owe)	= $200,000
Equity	= $ 50,000

Owning a business is also an investment. Although starting a business can be risky, if planned and managed correctly, it has the potential to increase your future financial security.

These options may not be for everyone, and the decision to invest in a home or business needs to be made very carefully. For more information, start by contacting your local **Small Business Administration** district office for more information on training and counseling programs to help you learn how to start, grow, and succeed in business. Visit www.sba.gov.

Saving for Retirement

- **Make the most of your remaining paychecks to save for retirement.** How much money you will need to set aside for retirement—which, for many people, could last 30 years or more—will depend on a variety of factors, including:
    - When do you expect to retire?
    - Will you continue to earn income from a part-time job?
    - How much money do you have in savings and pensions?
    - What expenses will you incur for housing and health care?
- **Try to reduce or eliminate debt.** Another way to save more money for a more enjoyable retirement is to cut back on unnecessary expenses, especially if you need to go into debt to pay for them. Pay off most or all of your credit card balances and other loans to save on interest charges and avoid being burdened with repayment during your retirement years.
- **Develop a plan to stretch your money through a long retirement.** The idea is to determine where your money will come from during retirement, so you will not have to live in fear of running out of money.

How to Create a Savings Action Plan

You need to consider three decision factors when selecting the best savings and investment options.

1. **How much money do you want to accumulate over a certain period of time?**
   Once you determine the amount you want to accumulate, you may be able to use the Rule of 72 to determine the time and interest rate needed to double your savings. Remember, this formula only works with fixed interest rates.
2. **How long can you leave your money invested?**
   If you have some money that you will not need for several years, you might consider investment options, including: stocks, bonds, or mutual funds. On the other hand, if you think you will need access to the money, it might be best to keep it in a savings account.
3. **How do you feel about risking your money?**
   If you are not comfortable with risk and cannot afford to lose the money, consider depositing your money in an insured financial institution. You will need to shop around for the account that best meets your needs.

Activity 2: Pay Yourself First Action Plan

The top half of the plan gives you space to record factors that may affect the steps you take to save, and the savings or investment products you use to save. The bottom half of the plan gives you space to record the actions you plan to take now, a month from now, and a year from now in order to reach your savings goals.

Decision Factors

How much do I want to accumulate over a certain period of time?

How long can I leave my money invested?

How do I feel about risking my money?

Action Plan

What will I do now to save toward my goals?

What will I do by the end of the month to save toward my goals?

What will I do by the end of the year to save toward my goals?

Post-Test

Now that you have gone through the course, see what you have learned.

1. **What are three benefits of paying yourself first?**
    a. Improving your standard of living
    b. Learning to manage money better
    c. Having money for emergencies
    d. All of the above

2. **What is the major difference between saving and investing?**
    a. Most savings products are federally insured, while investment products are not
    b. Savings products have a risk of loss and investment products do not
    c. Investment products do not have as high a potential for growth as savings products
    d. Savings and investment products are the same

3. **If you get a tax refund, what can you do to make sure you save some of the refund? Select all that apply.**
    a. Direct deposit some or all of the refund straight into your checking account
    b. Deposit some or all of it into a savings account with a higher interest rate (e.g., a CD or money market account)
    c. Use the money to invest in a savings bond

4. **Which type of savings products, not including investment products, are available at most financial institutions? Select all that apply.**
    a. CDs
    b. Money market accounts
    c. U.S. Treasury securities
    d. Bonds

5. **You can save money by paying your bills on time because you avoid paying:**
    a. Late fees
    b. Extra finance charges
    c. Disconnection and reconnection fees
    d. Cost of eviction, repossession, and bill collections
    e. All of the above

6. **Select all that apply. The Rule of 72 helps you determine (select all that apply):**
    a. How long it will take for your savings to double in value with a fixed interest rate
    b. The interest rate you need for your money to double within a set time period
    c. How long it will take for your savings to double in value with a variable or adjustable interest rate

7. **Which of the following strategies will help you choose the best investments for you? Select all that apply.**
   a. Make choices based on a friend or family member's recommendations
   b. Limit the number of savings and investment options you choose to reduce your risk of loss
   c. Select savings and investment options according to your risk tolerance
   d. Consider how long you plan to keep your money in the investment

8. **Which of the following are ways you can save for college? Select all that apply.**
   a. Build home equity, then apply for a home equity loan
   b. Invest in stocks, bonds, or mutual funds
   c. Establish a 529 Plan
   d. Enroll in a 401(k) or 403(b) plan

Glossary

401(k) Plan: A retirement savings plan established by an employer in which employees set aside a percentage of pay in an account that earns interest.

403(b) Plan: A retirement savings plan similar to a 401(k), but exclusively for employees of public schools and certain tax-exempt organizations.

529 College Savings Plan: An education savings plan operated by a state or educational institution. It is designed to help families set aside funds to pay for future college costs.

Annual Percentage Yield (APY): The amount of interest you will earn on a yearly basis. It is expressed as a percentage.

Bonds: Loans to corporations or to the government for a certain period of time, called a *term*. You earn interest on your loan investment, and at the end of the term, your bond matures and can be repaid to you by the company.

Certificate of Deposit (CD): An account in which you leave your money for a set term (e.g., six months or one, two, or five years). You cannot make deposits or withdrawals to the account during this term.

Compounding: Interest paid on money that is invested, allowing the initial investment to increase over time.

Corporate bonds: Loans to corporations for a certain period of time, called a *term*.

Diversification: When you spread the risk of loss over a variety of savings and investment options.

EE Bond: EE is a type of bond that is normally purchased at half its face value and must be held for at least one year before being cashed.

Electronic Transfer Account (ETA): A low-cost savings account that provides federal payment recipients with the opportunity to receive their federal payments through direct deposit.

Equity: The difference between how much your house is worth and how much you owe on your mortgage.

I Bond: A type of bond purchased at face value, which is the amount printed on the bond and must be held for at least one year before being cashed.

Individual Development Account (IDA): A matched savings account in which another organization (e.g., a foundation, corporation, or government entity) agrees to add money to your account to match the money you save in it.

Interest: An amount of money banks or other financial institutions pay you for keeping money on deposit with them.

Investment: A long-term savings option that you purchase for future income or financial benefit.

Money Market Account: An account that usually pays a higher rate of interest, and it usually requires a higher minimum balance to earn interest than a regular savings account does. You can make deposits and withdrawals.

Mutual Fund: A professionally managed collection of money from a group of investors. A mutual fund manager invests your money in some combination of various stocks, bonds, and other products.

Payroll Deduction Individual Retirement Arrangements (IRA): An employee establishes an IRA (traditional or Roth IRA) with a financial institution and authorizes a payroll deduction for the IRA.

Retirement Investments: Money you invest over a long period of time so that you will have money to live on when you are no longer working.

Roth Individual Retirement Arrangements (IRAs): Contributions to a Roth IRA are not tax deductible while contributions to a traditional IRA may be deductible. The distributions (including earnings) from a Roth IRA are not included in income.

Rule of 72: A formula that lets you estimate how long it will take for your savings to double in value given a particular interest rate. This calculation assumes that the interest rate remains the same over time.

Statement Savings Account: An account that earns interest. You will usually receive a quarterly statement that lists all your transactions–withdrawals, deposits, fees, and interest earned.

Stocks: Parts of a company, called *shares*. If the company does well, you might receive periodic dividends based on the number of shares you own. Dividends are part of a company's profits that it gives back to you, the shareholder.

Traditional Individual Retirement Arrangements (IRAs): Contributions to a traditional IRA may be tax deductible, based on the amount of your contribution and your income. The earnings on the amounts in your IRA are not taxed until they are distributed.

Treasury Inflation-Protected Securities (TIPS): Provides protection against inflation, and the interest rate is tied to the Consumer Price Index.

U.S. Savings Bonds: A long-term investment option backed by the full faith and credit of the U.S. Government. Savings bonds can be purchased at a financial institution for as little as $25 or through payroll deductions.

U.S. Treasury Securities: Loans to the U.S. Government for a certain period of time, called a *term*. Treasury securities are backed by the full faith and credit of the U.S. Government and include Treasury bills (T-bills), notes (T-notes), and bonds (T-bonds).

Variable Annuity: An insurance contract that invests your premium in various mutual fund-like investments.

For Further Information

Federal Deposit Insurance Corporation (FDIC)
www.fdic.gov/consumer
Division of Supervision & Consumer Protection
2345 Grand Boulevard, Suite 1200
Kansas City, Missouri 64108
1-877-ASK-FDIC (275-3342)
Email: consumeralerts@fdic.gov

Visit the FDIC's website for additional information and resources on consumer issues. For example, every issue of the quarterly *FDIC Consumer News* provides practical hints and guidance on how to become a smarter, safer user of financial services. Also, the FDIC's Consumer Response Center is responsible for:

- Investigating all types of consumer complaints about FDIC-supervised institutions
- Responding to consumer inquiries about consumer laws and regulations and banking practices

U.S. Financial Literacy and Education Commission
www.mymoney.gov
1-888-My-Money (696-6639)
MyMoney.gov is the U.S. Government's website dedicated to teaching all Americans about financial education. Whether you are planning to buy a home, balance your checkbook, or invest in your 401k, the resources on MyMoney.gov can help you. Throughout the site, you will find important information from federal agencies.

Federal Trade Commission
www.ftc.gov/credit
1-877-FTC-HELP (382-4357)
The Federal Trade Commission (FTC) website offers practical information on a variety of consumer topics, including credit and identity theft. The FTC also provides guidance and information on how to select a credit counselor.

What Do You Know? – Pay Yourself First

Instructor: ___________________________________ Date: ____________________

This form will allow you and the instructors to see what you know about saving money both before and after the training. Read each statement below. Please circle the number that shows how much you agree with each statement.

	Before the Training				After the Training			
I can:	Strongly Disagree	Disagree	Agree	Strongly Agree	Strongly Disagree	Disagree	Agree	Strongly Agree
1. Explain why it is important to save	1	2	3	4	1	2	3	4
2. Determine goals for saving money	1	2	3	4	1	2	3	4
3. Identify savings options	1	2	3	4	1	2	3	4
4. Determine which savings options will help me reach my savings goals	1	2	3	4	1	2	3	4
5. Recognize which investment options are right for me	1	2	3	4	1	2	3	4
6. List ways to save for retirement	1	2	3	4	1	2	3	4
7. List ways to save for large expense goals, including: a child's college tuition, a car or home purchase, or a vacation	1	2	3	4	1	2	3	4

Evaluation Form

This evaluation will enable you to assess your observations of the *Pay Yourself First* module. Please indicate the degree to which you agree with each statement by circling the appropriate number.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. Overall, I felt the module was: [ ] Excellent [ ] Very Good [ ] Good [ ] Fair [ ] Poor					
2. I achieved the training objectives.	1	2	3	4	5
3. The instructions were clear and easy to follow.	1	2	3	4	5
4. The overheads were clear.	1	2	3	4	5
5. The overheads enhanced my learning.	1	2	3	4	5
6. The time allocation was correct for this module.	1	2	3	4	5
7. The module included sufficient examples and exercises so that I will be able to apply these new skills.	1	2	3	4	5
8. The instructor was knowledgeable and well-prepared.	1	2	3	4	5
9. The worksheets are valuable.	1	2	3	4	5
10. I will use the worksheets again.	1	2	3	4	5
11. The participants had ample opportunity to exchange experiences and ideas.	1	2	3	4	5
	None				**Advanced**
12. My knowledge/skill level of the subject matter before taking the module.	1	2	3	4	5
13. My knowledge/skill level of the subject matter upon completion of the module.	1	2	3	4	5
14. Name of Instructor: Instructor Rating: Please use the response scale and circle the appropriate number.	**Response Scale:** **5 Excellent** **4 Very Good** **3 Good** **2 Fair** **1 Poor**				
Objectives were clear & attainable	1	2	3	4	5
Made the subject understandable	1	2	3	4	5
Encouraged questions	1	2	3	4	5
Had technical knowledge	1	2	3	4	5

What was the most useful part of the training?

What was the least useful part of the training and how could it be improved?