DESCRIPTION
Most people will earn a large sum of money over a lifetime. How should they handle it? Explains the why’s and how’s of financial planning. The financial pyramid emphasizes savings (emergency funds), protection (various insurances), and investments (home ownership, stocks, bonds, commodities). Taking control of finances now leads toward financial goals and secure retirement. MONEY MANAGEMENT SERIES.

INSTRUCTIONAL GOALS
• To illustrate the need for and benefits of financial planning.
• To present a strategy for financial planning.
• To introduce three components of financial planning: savings, protection, and investments.

BEFORE SHOWING
1. Read the CAPTION SCRIPT to determine unfamiliar vocabulary and language concepts.
2. Hypothesize how an unexpected problem could impact personal savings and current and future income.

AFTER SHOWING
Discussion Items and Questions
1. Discuss reasons for financial planning.
   b. Compare the money pyramid, the food pyramid, and the ancient Egyptian pyramids.
   c. Justify owning a home as a way to build financial security.
   d. Determine how much a savings account investment of $10, $100, or $1000 at 6% interest will be worth after 10 years.
   e. Define personal financial health.
2. Discuss strategies for financial planning.
a. Debate the use of payroll deduction savings plans.
b. Compare stocks, bonds, and commodities.
   Consider risk, return, and initial cost.
c. List tips for selecting stocks for purchase and starting a savings plan.
d. Evaluate purchasing real estate as an investment.
e. Summarize how to become financially healthy using the motto “Save, Protect, Invest.”
3. Use the money pyramid to develop a personal financial plan for the following:
   a. An individual has won a million dollars in the lottery.
   b. A high school student plans to attend a four-year college after graduation.
   c. A high school student plans to work immediately after graduation.

Applications and Activities
1. Survey the school and local community.
   a. Can an individual ever have, make, or spend enough money?
   b. Who has an emergency fund containing at least three months’ salary, car insurance, renter’s insurance, homeowner’s insurance, health insurance, and life insurance?
   c. Who invests in stocks, bonds, commodities, or real estate?
2. Determine how much money individuals may earn in their lifetimes.
   a. Choose three diverse career options.
   b. Identify a typical current yearly income for each career.
   c. Not counting a single raise or promotion, determine how much money each career will earn for an individual by the age of 70.
3. Evaluate financial planning options.
   a. Research savings plans at a bank, savings and loan, and credit union. Consider:
(1) Savings accounts
(2) Certificates of deposit
(3) Savings bonds
(4) Money market deposit accounts
(5) Money market funds

b. Investigate car insurance. Consider costs, coverage options, and legal requirements.
c. Check on local prices to buy a home. Consider purchase price, down payment, and mortgage payments.
d. Research ways to reduce a tax bill. Acquire a copy of tax guidelines.
e. Investigate the reasons that commodities trading is very risky business.

4. Investigate retirement plans.
   a. How much money is needed to comfortably retire?
   b. How many years of financial planning are needed to adequately plan for retirement?
   c. How long does the average person spend in retirement?
   d. How do personal savings, government benefits, and job benefits work together to form a retirement package?

5. Use the money pyramid to develop a personal financial plan. (See INSTRUCTIONAL GRAPHICS.)

INSTRUCTIONAL GRAPHICS

One instructional graphic is included with this lesson guide. It may be enlarged and used to create transparencies or copies.

- MONEY PYRAMID

WEBSITES

Explore the Internet to discover sites related to this topic. Check the CFV website for related information (http://www.cfv.org).
CAPTION SCRIPT

Following are the captions as they appear on the video. Teachers are encouraged to read the script prior to viewing the video for pertinent vocabulary, to discover language patterns within the captions, or to determine content for introduction or review. Enlarged copies may be given to students as a language exercise.

[synthesizer playing]  
[nearby synthesizer playing]  
(male narrator)  
Big bucks...  
are probably right near the top of your list.  
We think we never have, make, or can spend enough money.  
If only we'd win the lottery--a million dollars would be nice.  
Looking at the money you might make over a lifetime tells a different story.  
If at age 21 you earn $1,500 a month--that's $18,000 a year--by the time you turn 70, you will have earned nearly a million dollars, not counting a single raise or promotion. With that much money, it makes sense to manage your earnings wisely. Take time to plan how you'll handle it. It'll go a lot farther. When living from tank of gas to tank of gas, having leftover money may seem impossible. However, if you get in the habit of saving you could be on solid ground sooner than you think. The food pyramid shows the five basic food groups and outlines good nutritional health. The money pyramid is similar.
spelling out what you might do to build financial health.

Financial health encompasses taking control of your money now, working to reach financial goals like buying a car, a house, or keeping an eye toward retirement.

[grunting]

[thwak]

Retirement seems a long way off. Build your personal savings to add to government or company benefits, and you’ll probably have a secure life when you’re in your grandparents’ age.

It can happen if you start building a money pyramid now. Like the ancient Egyptian pyramids, you build it one block at a time. Build a solid financial foundation. A good first goal is to have an emergency fund containing at least three months’ salary.

With money put aside, having your car conk out or being out of work, won’t seem like the end of the world. A savings account at a bank, savings and loan, or credit union at work is a start to a savings program. Many companies offer a payroll deduction savings plan so you can set money aside before you’re tempted to spend it. Savings programs have two purposes. One, you accumulate money; two, you earn money on the money you’re saving, called interest.

Suppose you deposit $1.00 in a savings account and leave it for 10 years. Say the bank pays you 6% of that sum for the privilege of using your money.
After ten years, that dollar will have grown to $1.76—almost double your original investment. All you did was wait. What if you'd deposited $10, or $100, or even $1,000? That's the power of saving! Other ways of building an emergency fund may net more interest. If you think a CD is a compact disc— you're right! It's also a certificate of deposit—a piece of paper issued to you by a bank. It's basically an IOU. The bank agrees to pay back your money with interest, at a specified time. Maybe at birth you received U.S. Savings Bonds as gifts. The government pays people interest on these bonds for lending them the money. Learn about CDs, government savings bonds and other savings plans such as money market deposit accounts and money market funds at a savings institution or from a financial expert. So many options! It can seem complicated at first. The main thing is to start saving—even small amounts. Save change in a jar. If you can't keep your hands out, pour in some water. You won't be as tempted to fish for quarters. The key is to pay yourself first. After paying your other expenses, there probably won't be anything left. In addition to an emergency fund, the first level of the money pyramid has a section for insurance. Insurance policies protect you from potential problems. So many options! It can seem complicated at first. The main thing is to start saving—even small amounts. Save change in a jar. If you can't keep your hands out, pour in some water. You won't be as tempted to fish for quarters. The key is to pay yourself first. After paying your other expenses, there probably won't be anything left. In addition to an emergency fund, the first level of the money pyramid has a section for insurance. Insurance policies protect you from potential problems.
You pay the insurance company regular small amounts, and they promise to protect you financially from loss or harm such as a car accident or illness. First, you'll probably have car insurance. It's against the law to drive without automobile insurance. If you rent an apartment, mobile home, or house, you'll want renter's insurance to cover your belongings in case of theft, fire, or water damage. If you own property, homeowner's insurance will cover damage to the structure and the contents. You may have group life insurance and health coverage through work to help pay your medical bills. If you're not insured, unexpected problems could eat away at your savings, income, and future income. Make an appointment with an insurance agent to discuss at least basic coverage. Do you have renter's insurance? (man) I don't think so. That's a coverage you should look into. If you live in a complex, and there's an accident, you and your possessions would be covered. (narrator) Family or friends might recommend an insurance agent you can trust. A solid insurance program is part of building financial security as is owning your own home. A home is usually the biggest investment a person or family makes. Once you have the down payment for a house and begin making monthly mortgage payments, you start to build equity. As you pay off the home loan,
you gradually own more
of the house,

and the
financial institution

you borrowed
the money from, owns less.

The goal is
to pay

all the money
you owe

until the house
belongs to you

free and clear.

When you’ve secured the
financial base

on your money pyramid,

you may want to make
some investments.

Investments are money
you spend

in the hope
you’ll eventually make
even more money,
or profit.

Two of the most popular
investments people make are
in stocks and bonds.

Although the words are
often said together,

stocks and bonds are
different types
of investments.

If you bought stock
in a fast-food restaurant,
you’d own a small part
of the business.

If you held a bond
for the restaurant,
you’d be lending
money to the company,
perhaps to expand
or make improvements.

Stocks represent ownership.

Bonds represent loans.

Stocks make money
called, dividends,

if the value
of the company
you invested in
goes up.

You lose money
if the value drops.

That’s where
the risk is.

You can never know
for certain

what is going
to happen.

Stock prices go
up and down.

A bond pays
set interest

in a specified number
of years

until the balance
you loaned is
totally repaid
to you.

If you had money
to buy stocks now,
you might base
your selection
on what you know.

What clothes, what music, what food, what games are hot?

Often companies making those items become more profitable.

Investing does take more than instinct.

If you think you have a lot of homework now...

good investment decisions with stocks and bonds take lots of research.

Some people invest in real estate to make a profit.

They might buy a small house or apartment building, and rent the property to someone else or fix it up themselves and sell it for a profit.

People have made money with real estate. However, you are better off if you can do much of the maintenance and repair work yourself.

The third level of your money pyramid, tax management, builds on the first two.

You'll have to pay taxes on your wages and on profits from your investments.

There are many ways to reduce your total tax bill.

In home ownership, you can deduct part of the house payment that goes for interest--which is most of it--from your taxable income.

That can be a big savings at year's end.

If you can manage a down payment, buying your own home can be a good investment.

Your workplace may offer tax advantage programs allowing you to pay for benefits, such as child care and health care, with money that won't be taxed.

Knowing tax guidelines is part of financial planning.

You may have heard that porkbellies are up,
winter wheat is trading at a certain price, or the value of gold has dropped. Porkbellies, wheat, and gold are commodities, as are corn, coffee, sugar, soybeans, rice, and precious metals. People invest in them just like stocks and bonds. Commodities trading is very risky. Most investors either make every day, planning for the future can seem overwhelming. But keep in the back of your mind... It's not the motto of the marines, but it's a good way to stay financially healthy. People invest in them just like stocks and bonds. Commodities trading is very risky. Most investors either make or lose a lot of money. There's not much safe middle ground. Savings, investments, and tax management-- that's the way a money pyramid is built. When you're busy every day, planning for the future can seem overwhelming. But keep in the back of your mind... It's not the motto of the marines, but it's a good way to stay financially healthy. People invest in them just like stocks and bonds. Commodities trading is very risky. Most investors either make or lose a lot of money. There's not much safe middle ground. Savings, investments, and tax management-- that's the way a money pyramid is built. When you're busy every day, planning for the future can seem overwhelming. But keep in the back of your mind... It's not the motto of the marines, but it's a good way to stay financially healthy.

Save money for emergencies and the future. Protect yourself and belongings with insurance. Make your savings grow with sound investments. You'll be building a solid money pyramid and a solid future. Funding for purchase and captioning of this video was provided by the U.S. Department of Education: PH: 1-800-572-5580 (V).
THE MONEY PYRAMID

- Commodities
- Tax Management
- Investments
- Insurance
- Mutual 
- Savings, Insurance, and Real Estate