Name________________________________Period________________Date___________________

How Money Grows (Key)

The Impact of Time Value of Money at 9% Interest

Age	Contributions Made Early		Age	Contributions Made Early	
22	$ 2000.00	Total of $18,000.00 Invested	22	0	
23	2000.00		23	0	
24	2000.00		24	0	
25	2000.00		25	0	
26	2000.00		26	0	
27	2000.00		27	0	
28	2000.00		28	0	
29	2000.00		29	0	
30	2000.00		30	0	
31	0		31	$ 2000.00	
32	0		32	2000.00	
33	0		33	2000.00	
34	0		34	2000.00	
35	0		35	2000.00	
36	0		36	2000.00	
37	0		37	2000.00	
38	0		38	2000.00	Total of $70,000.00 Invested
39	0		39	2000.00	
40	0		40	2000.00	
41	0		41	2000.00	
42	0		42	2000.00	
43	0		43	2000.00	
44	0		44	2000.00	
45	0		45	2000.00	
46	0		46	2000.00	
47	0		47	2000.00	
48	0		48	2000.00	
49	0		49	2000.00	
50	0		50	2000.00	
51	0		51	2000.00	
52	0		52	2000.00	
53	0		53	2000.00	
54	0		54	2000.00	
55	0		55	2000.00	
56	0		56	2000.00	
57	0		57	2000.00	
58	0		58	2000.00	
59	0		59	2000.00	
60	0		60	2000.00	
61	0		61	2000.00	
62	0		62	2000.00	
63	0		63	2000.00	
64	0		64	2000.00	
65	0		65	2000.00	
Amount available at age **65**	**$579,471.00**			**$470,249.00**	

Source: Financial Planning Program Workbook, National Endowment for Financial Education. Copyright 1992. Used with permission

Name________________________________Period________________Date___________________

1. Why is it important to develop the habit of saving money as early as possible?
   Saving is a key principle. People who make a habit of saving regularly, even saving small amounts, are well on their way to success.
2. What types of savings accounts are available?
   - Commercial banks
   - Credit unions
   - Mutual savings banks
   - Online banks
   - Savings and loan associations
3. What should be considered in selecting a savings account?
   When shopping for a place to deposit savings, factors such as the following should be considered:

- The interest rate paid – The higher the rate of interest, the faster savings grow.
- The method used to calculate interest – For example, is interest calculated on the average daily balance or the lowest balance during the period?
- How often interest is compounded (interest earned is added to the total and new interest calculated) – The more frequently savings are compounded, the faster they grow.
- Policies and requirements of the institution – Is there a minimum balance which must be maintained? What charges are assessed for account services?
- Liquidity or ease of converting savings into immediate cash – Can money be withdrawn at any time? Is there a penalty for withdrawal under certain conditions?
- Safety of the funds – To protect savings, the account should be insured, preferably by a federal agency, such as FDIC.

4. What is the difference between savings and investments?
   Funds put into business, real estate, stocks, bonds or some other enterprise for the purpose of making an income or profit are called **investments.** There are several types of investments you can make, but not all investments are wise investments for a particular individual. Savings occur when an individual sets aside a certain amount of money over a period of time.
5. What are the basic types of investments?
   A vast array of investment products exists - including stocks and stock mutual funds, corporate and municipal bonds, bond mutual funds, lifecycle funds, exchange-traded funds, money market funds and U.S. Treasury securities. For many financial goals, investing in a mix of stocks, bonds and cash can be a good strategy.
6. What should an individual or family consider in structuring an overall savings and investment plan?

   If you are making investments, it's good to consult with a qualified professional about your plans. Before you purchase investments, be sure to build an emergency savings fund to cover your needs for at least three months. Keep the savings in an insured bank or credit union account that you can access if you need it.