

SAVING + INVESTING

Money Making Money

Want to make money without doing a thing? Sound too good to be true? Well it's not. When you save or invest your money, you're doing just that.

Putting money into a **savings account** means you're loaning your money to the financial institution, instead of the other way around. That means

the bank or credit union will actually **PAY YOU** the interest that your money earns. Assume you have \$1,000 in cash and you put it into a savings account. If you get 4% interest, you'll **EARN \$40**, for doing nothing.

Here's where it gets better: You now have \$1,040 in your savings account. Next year, you'll earn another 4% interest. Only this time you earn the interest on the new, larger amount. So $\$1,040 \times .04 = \41.60 in interest.

So, if you add that to your balance, you now have \$1,081.60. When next year rolls around – yep, you guessed it – you make interest on the whole amount! This is called **compound interest**. The interest keeps compounding, or, adding to itself.

The major benefits to a savings account are:

- **Your money is "liquid"** - meaning you can take the money out and use it whenever you like.
- **There is little or no risk.** Your money will grow at a steady rate.
- **Compounding interest adds up fast.**

Investing is a long-term plan for earning interest. This means there's potential to make more money, but there are risks. The 3 most popular types of investments are **stocks**, **bonds**, and **mutual funds**.

Savings ACCOUNT

starting balance	x interest rate	= interest earned	new balance
1000.	x .015	= 15.	1015.
1015.	x .015	=	Year 1
	x .015	=	Year 2
	x .015	=	Year 3
	x .015	=	Year 4
	x .015	=	Year 5
	x .015	=	Year 6
	x .015	=	Year 7
	x .015	=	Year 8
	x .015	=	Year 9
	x .015	=	Year 10

OR

Savings BONDS

starting balance	x interest rate	= interest earned	new balance
1000.	x .05	= 50.	1050.
1050.	x .05	=	Year 1
	x .05	=	Year 2
	x .05	=	Year 3
	x .05	=	Year 4
	x .05	=	Year 5
	x .05	=	Year 6
	x .05	=	Year 7
	x .05	=	Year 8
	x .05	=	Year 9
	x .05	=	Year 10

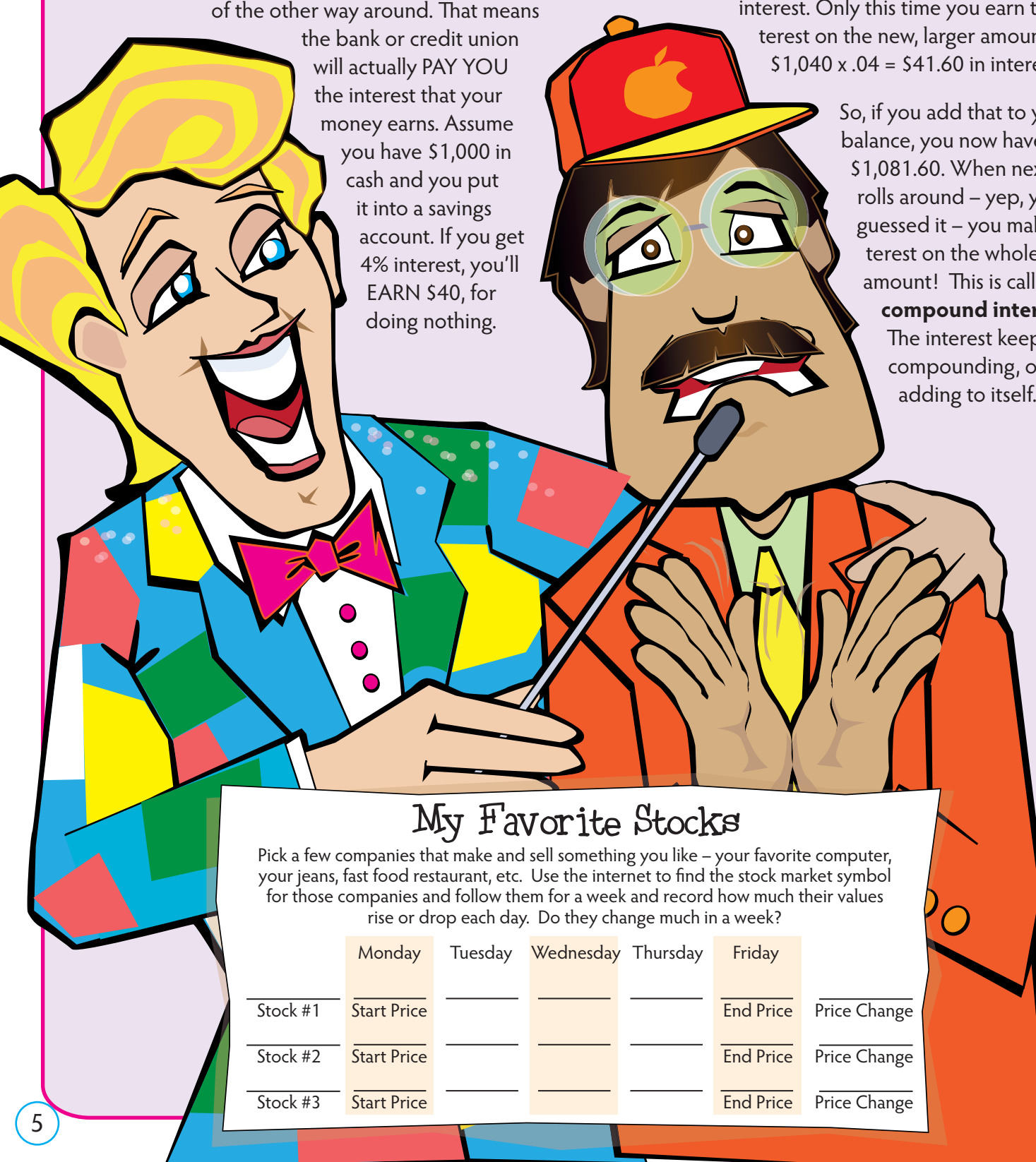
Bonds are loans to the government or to a corporation. Buying a bond is like putting money into a savings account for months or even years at a time. You're not allowed to take the money out before this time is up, but the interest rates are much higher. So when the time runs out, you will have made much more than you would have with a savings account.

Buying stocks means you're buying a tiny part of a specific company. It could be the company that makes your favorite shoes, cell phone, computer game, or even laundry detergent. The tiny part that you own is called a **share**, because you're sharing ownership of that company with everyone else who has that same stock. If the company does well, the price of your share will go up and you'll make money. But if the company does poorly, you could lose money. There's potential to make a lot of money in a hurry,

but there's also a chance that it could be a bust.

Mutual Funds are a little different. **Putting money in a mutual fund means you put money into an account with a bunch of other people, and experts will take that money and invest it to the best of their ability.** They might buy stocks, bonds, or several other types of investments. Basically it's like having professionals play the stock market for you. If these experts are good, they'll earn you a lot of money. If they're not so hot... you could lose all the money you've invested.

The biggest factor in how much money you'll make is time. As a general rule, investing a small amount of money for a long time will earn more than investing a large amount for a short time. That's why it's important to learn about investing now. The longer you save, the more your money grows.



My Favorite Stocks

Pick a few companies that make and sell something you like – your favorite computer, your jeans, fast food restaurant, etc. Use the internet to find the stock market symbol for those companies and follow them for a week and record how much their values rise or drop each day. Do they change much in a week?

	Monday	Tuesday	Wednesday	Thursday	Friday	
Stock #1	Start Price	_____	_____	_____	End Price	Price Change
Stock #2	Start Price	_____	_____	_____	End Price	Price Change
Stock #3	Start Price	_____	_____	_____	End Price	Price Change