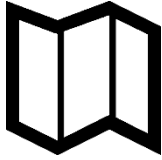


# Investing and Retirement



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## Overview

When do you begin investing? What do I invest in? These are great questions to be asking yourself now if you see retirement as a future goal. Now is the time to plan what you want your future to look like and what investments would help you meet your financial goals.



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## Learning Objectives

- Determine the difference between saving and investing
- Evaluate the types of investments
- Understand the Rule 72 & compound interest
- Determining your retirement goal and steps needed to meet that goal



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## Required Materials

- Investment Risk Chart
- Rule 72 Worksheet
- Types of investments & resources
- Computer with internet access
- Overhead projector, screen, speakers
- Evaluations
- Prezi Presentation:  
[http://prezi.com/lasmyvoqfkot/?utm\\_campaign=share&utm\\_medium=copy](http://prezi.com/lasmyvoqfkot/?utm_campaign=share&utm_medium=copy)



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## Timing


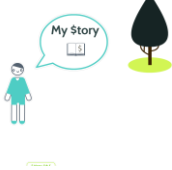
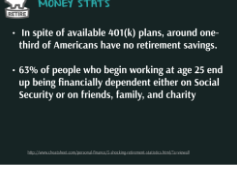




60 min



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## SESSION AT A GLANCE

Time	Segment	Description
5 minutes	Welcome & Introduction	Facilitator greets participants as they arrive. Introduces him/herself and states purpose of session.
10 minutes	Money Story Money Stats Intro to Investing Money Talk - Discussion	Facilitator shares the following: a personal financial story about their investment experience or how they are planning for retirement; what tools or steps they've taken.  Finally have students discuss what types of investments they have participated in or want to participate in and if they are beginning to plan for retirement.
10 - 15 minutes	Saving vs. Investing Types of Investments Timing of investing	Facilitator defines the difference between saving and investing.  Facilitator shares some types of investments and the best time to invest.
10 - 15 minutes	Rule of 72/Compound interest	Then explain the Rule of 72 and how it is used to estimate rate of investment growth.  Facilitator leads students through the Rule of 72 worksheet to practice calculating investment growth.
5 - 10 minutes	How to plan for retirement Calculating retirement needs	Facilitator explains the steps to plan for retirement and assist students in calculating how much they will need to retire.
5 minutes	Questions/ Evaluations	Facilitator led Q & A. Distribute/ collect presentation evaluations.

# FACILITATOR NOTES

	<p><b>Welcome</b></p> <p>Introduce Self</p> <p><b>Overview &amp; Lesson Outcomes:</b> Review the outline for the class and desired outcomes</p>	
	<p><b>Money Story</b></p> <p>Share any investing or retirement planning experiences. This can be your experience or of someone you know.</p>	
	<p><b>Money Stats</b></p> <ul style="list-style-type: none"> <li>In spite of available 401(k) plans, around one-third of Americans have no retirement savings.</li> <li>63% of people who begin working at age 25 end up being financially dependent either on Social Security or on friends, family, and charity</li> </ul>	
	<p><b>When do you begin investing?</b></p> <p><b>What do I invest in?</b></p> <p>Now is the time to plan what you want your future to look like and what investments would help you meet your financial goals.</p>	
		<p><b>Video: Never Lose Site of your Retirement</b></p> <p><a href="http://youtu.be/GGpMVk8wyKY">http://youtu.be/GGpMVk8wyKY</a></p> <p><b>Video Time: 2:33 minutes</b></p>
	<p><b>Money Talk - Discussion Questions:</b></p> <ol style="list-style-type: none"> <li>Name 3 things you've saved for or invested in (or thought about investing in). Why did you do so?</li> <li>What's something positive you're doing now to save for retirement?</li> <li>What concerns do you have about investing?</li> </ol> <p><b>Facilitation Options</b></p>	

		<p><b>Writing:</b> Student will respond to the answer on paper.</p> <p><b>Discussion:</b> Students can partner or meet in groups to discuss the answers.</p>
	<p><b>Difference between Saving &amp; Investing</b></p> <p>Saving is the process of putting cash aside and parking it in extremely safe, and liquid (meaning they can be sold or accessed in a very short amount of time, at most a few days) securities or accounts. This can include FDIC insured checking accounts, savings accounts, short-term certificates of deposit, or United States Treasury Bills. It can even include FDIC insured money market accounts (but not money market funds, which are not insured). The highest goal for these funds should be maintain its value, with a secondary goal to keep pace with inflation, if possible.</p> <p>Investing is the process of using money (called “capital”) to buy an asset that you think will generate a safe and acceptable return over time, making you wealthier with each passing year. An investment can include anything from a small business to fine art, rare wines to gold coins, comic books to stocks, mutual funds, bonds, real estate, and antiques, just to name a few. It can also include song rights, patents, trademarks, or other intellectual property, as it is often called. Good investments are the soundest way of growing wealthy but can take time, perhaps even years, to work out because we live in an uncertain world.</p>	



**Types of Investments**

Not all investment are created equal or work for your personal financial goals. Some provide steady income and are low risk, but yield small returns on investment; others may provide significant returns, but require a long term investment commitment. There is a wide assortment of investment vehicles available. Some of the most popular include: mutual funds, traditional IRAs, Roth IRAs, savings bonds or bond funds, stocks, and certificates of deposit.

Some investments pay out earnings on a regular (quarterly, monthly, or annual) basis, while others pay out earnings at the end of the investment period or may have age requirements for when you can withdraw your money without a penalty. Make sure your investment income stream matches your investment goals.

You don't have to put all of your money in one investment. Consider diversifying your investment portfolio by placing your money in several investment vehicles. This can protect you from risk; while one of your investments may be performing poorly, another one of your investments can make up for those losses.

Hiring an accredited financial planner can help make this difficult and overwhelming decision easier. Be sure to research the financial planner before utilizing their service and to be sure that they have your best interest in mind. For free assistance, contact the financial empowerment centers. They offer free counseling and credit reports for all local residents.



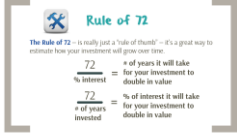
**Handout:**

Pass out investment chart.



**Timing**

Investing in small amounts while you are young can help maintain your purchasing power.



**Double your Money**

Investing your money is a great way to double your money over time and a way to begin saving for your retirement. Here’s one tool you can use to determine how much time it will take to increase your funds over time.

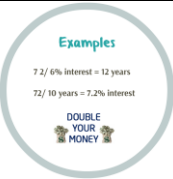
**Rule of 72**

The Rule of 72 — really just a “rule of thumb” — is a great way to estimate how your investment will grow over time. If you know your investment’s expected rate of return, the Rule of 72 can tell you approximately how long it will take for your investment to double in value. Simply divide the number 72 by your investment’s expected rate of return (ignoring the percent sign). Assuming an expected rate of return of 9 percent, your investment will double in value about every 8 years (72 divided by 9 equals 8).



**Assignment:**

Complete Rule of 72 worksheet.



**Example**

**72 / 6% interest = 12 years**

**72 / 10 years = 7.2% interest**



**Compound Interest**

Compound interest - meaning that the interest you earn each year is added to your principal, so that the balance doesn't merely grow, it grows at an increasing rate - is one of the most useful concepts in finance.




Use the compound interest calculators to estimate the exact dollar amount your investment will grow over time.







**Bankrate.com**

<http://www.bankrate.com/calculators/savings/compound-interest-calculator-tool.aspx>

**Moneychimp.com**

[http://www.moneychimp.com/calculator/compound\\_interest\\_calculator.htm](http://www.moneychimp.com/calculator/compound_interest_calculator.htm)

 <p><b>Basic Retirement Planning</b></p>		<p><b>Video: Retirement Planning Made Simple</b></p> <p><a href="http://youtu.be/w1kiFJKc6LQ">http://youtu.be/w1kiFJKc6LQ</a></p> <p><b>Video Time: 2:37 minutes</b></p>								
 <p><b>How much do I need to RETIRE?</b></p> <p>Retirement age = 65 years old Retirement Funds = 75 - 80% Preretirement Salary/Pay Retirement includes: 30 - 60% Savings Plans (401k, Roth IRA, 457c, etc.) 20 - 25% Social Security &amp; Other sources (Part-time work or pension)</p>	<p><b>How much will I need to retire?</b></p> <p>Generally, advisers say personal savings should generate 50% to 60% of your preretirement income, so that withdrawals from savings plus another 20% to 25% from Social Security and other sources (part-time work, a pension) replace at least 75% to 80% your preretirement income—a level experts generally consider the benchmark for maintaining your preretirement standard of living after you retire.</p> <p>Increasing the amount you save by even a relatively small amount can significantly improve your chances of reaching that level.</p>									
 <p><b>Start saving now</b></p> <p>Start saving as much as you can, as soon as possible. The earlier you start, the longer your money will work for you. For example, if you start at age 25 and save \$200 a month until age 65, you will have \$1,000,000. If you start at age 35 and save \$200 a month until age 65, you will have \$500,000. If you start at age 45 and save \$200 a month until age 65, you will have \$250,000. If you start at age 55 and save \$200 a month until age 65, you will have \$125,000. If you start at age 65 and save \$200 a month until age 65, you will have \$62,500.</p> <table border="1"> <thead> <tr> <th>Start at age 25</th> <th>Start at age 35</th> <th>Start at age 45</th> <th>Start at age 55</th> </tr> </thead> <tbody> <tr> <td>\$1,000,000</td> <td>\$500,000</td> <td>\$250,000</td> <td>\$125,000</td> </tr> </tbody> </table> <p>(This is a hypothetical example and is not intended to reflect the actual performance of any specific investment. Savings and other returns are subject to market and other risks.)</p>	Start at age 25	Start at age 35	Start at age 45	Start at age 55	\$1,000,000	\$500,000	\$250,000	\$125,000	<p>Example of how your money can grow based on when you start and the percentage of growth.</p> <p>The earlier you invest the more you'll earn over time.</p>	
Start at age 25	Start at age 35	Start at age 45	Start at age 55							
\$1,000,000	\$500,000	\$250,000	\$125,000							
 <p><b>Calculate your Retirement</b></p> <p>Use one of the following calculators to determine how much you'll need to save to reach your retirement goal.</p> <p>Calculates general retirement savings amounts: <a href="http://money.cnn.com/calculator/retirement/retirement-need/">http://money.cnn.com/calculator/retirement/retirement-need/</a></p> <p>Calculates and reports what you'd have available per month to live on after you retire: <a href="http://www.bankrate.com/calculators/retirement/retirement-plan-income-calculator.aspx">http://www.bankrate.com/calculators/retirement/retirement-plan-income-calculator.aspx</a></p>	<p><b>Calculate your retirement – Optional (Depends on Computer Access)</b></p> <p>How much will you have to save in order to meet your 75-80% retirement funds?</p> <p>Use one of the following calculators to determine how much you'll need to save to reach your goal.</p> <p><b>Calculates general retirement savings amounts:</b></p> <p><a href="http://money.cnn.com/calculator/retirement/retirement-need/">http://money.cnn.com/calculator/retirement/retirement-need/</a></p> <p><b>Calculates and reports what you'd have available per month to live on after you retire:</b></p> <p><a href="http://www.bankrate.com/calculators/retirement/retirement-plan-income-calculator.aspx">http://www.bankrate.com/calculators/retirement/retirement-plan-income-calculator.aspx</a></p>									

	  	<p><b>Assignment:</b></p> <ol style="list-style-type: none"> <li>1. Calculate what your retirement would be today based on what you've currently been doing to save for retirement.</li> <li>2. Calculate what you would need to save in order to meet your retirement goal.</li> </ol> <p>Note: If computer access isn't available, you can provide the website to students to attempt at home.</p> <p><b>Discussion:</b></p> <p>As a class discuss student's results.</p> <ol style="list-style-type: none"> <li>1. What surprised you?</li> <li>2. Are you on track to meet your goals?</li> <li>3. What will you have to do differently?</li> </ol>
		<p><b>Money Talk - Discussion Questions:</b></p> <ol style="list-style-type: none"> <li>1. What surprised you about your results?</li> <li>2. Are you on track to meet your goals?</li> <li>3. What will you have to do differently?</li> </ol> <p>Discuss as a class.</p>
	<p><b>Key Points</b></p> <p>Plan for your future now. If you don't have the funds to begin investing, then begin taking small steps to start saving a little at a time. Remember you don't have to have everything today. Investments pay off when you on to them until after retirement.</p>	
	<p><b>Muffin Calculator</b></p> <p>Let's look at little ways we can save.</p> <hr/> <p>Use the calculator to demonstrate how items like a muffin a day could add up over time. Feel free to use other examples like coffee or going out to lunch every day.</p> <p><a href="http://www.hughcalc.org/muffin.cgi">http://www.hughcalc.org/muffin.cgi</a></p>	





**Investing In yourself now!**

**Suze Orman says:**

**1. Don't put all your investment eggs in one basket**

You don't want to buy just one individual stock because if that individual stock happens to go down – and it can happen – there goes all your money. Diversification is the key.

**2. Dollar cost averaging is the key to success**

What that means is decide on a specific dollar amount that you want to invest – let's just say it's \$500 a month, or \$200. It doesn't matter what it is. You take that specific amount of money every single month and you invest it.

**3. Start early & start right.**

The sooner you can start investing, the better you are. There's the timing of the market – when to buy and when to sell – but the most important time in every single one of your lives is the time to start investing. Time is the most important ingredient in any financial freedom recipe. Time will determine how much money in the long run and really get to keep as well. So, the sooner you begin investing, the better off you'll be!



**Questions?**



**Discussion:**

What have you learned that you could teach other students to help them become financially savvy adults?

What would you like to learn more about and was there anything that was not clear?