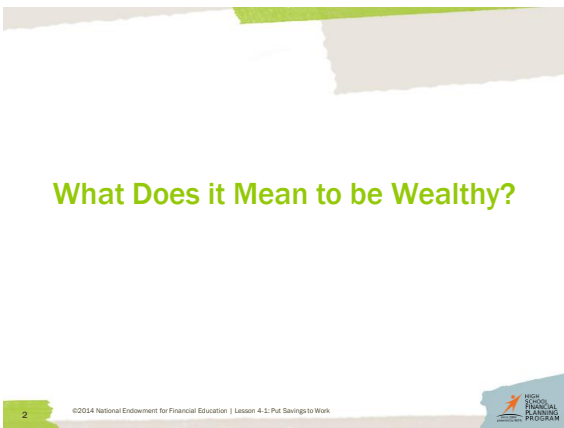


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Preview

Today we will answer these questions:

- What is the difference between saving and investing?
- What does it mean to “grow my money”?
- How do I get started with investing now?

Use what you learn today to select savings investment options.

3

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Meet Whitney and Justin

Whitney- senior

- Works part-time
- Spends most of her money on clothes and going out with friends
- Doesn't stick to her savings plan

Justin- 8th grader

- Earns money from occasional odd jobs in neighborhood
- Father was recently laid off from job
- Is saving money for college

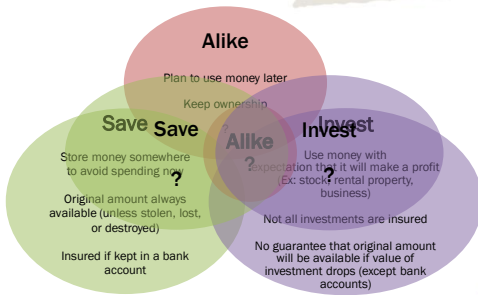


4

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Save vs. Invest



5

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Millionaire Myth #1 – True or False?

Millionaires usually work in sports, entertainment or lead gigantic Fortune 500 companies.

- ▶ Athletes and entertainers are notorious for squandering their money until they're broke. Actually, half of all millionaires are self-employed or own a business.

Source: Thomas J. Stanley, Ph.D. and William D. Danko, Ph.D. *The Millionaire Next Door: The Surprising Secrets of America's Wealthy*, 1996

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Millionaire Myth #2 – True or False?

Millionaires made their fortunes the easy way— inheriting it.

- ▶ Only 20 percent of millionaires inherited part of their money. And half of those inherited less than 10 percent of their assets.¹
- ▶ In fact, 76 percent of millionaires said “smart investing” is one of the top three factors contributing to their financial success. The other two critical elements are hard work and education.²

¹Thomas J. Stanley, Ph.D. and William D. Danko, Ph.D. *The Millionaire Next Door: The Surprising Secrets of America's Wealthy*, 1996

²Spectrem Group, 2012 *Affluent Market Insight* www.millionairecorner.com/article/smart-investing

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Millionaire Myth #3 – True or False?

Millionaires spend a lot of time managing their finances and trading stocks.

- ▶ Most spend less than six minutes per day on finances.¹ They're too busy making more money to invest! And they invest for the long-term. About 75 percent buy and hold stocks more than five years. Nearly 40 percent hold them 10 years or more.²

¹Ric Edelman, *Ordinary People, Extraordinary Wealth: The 8 Secrets of How 5,000 Ordinary Americans Became Successful Investors—and How You Can Too*, 2000

²Chuck Carlson, *8 Steps to 7 Figures: The Investment Strategies of Everyday Millionaires and How You Can Become Wealthy Too*, 2001

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Millionaire Myth #4 – True or False?

Millionaires spend tons of money on cars, boats, and other luxury items.

- ▶ Wealth is not what you make—it's what you keep. True millionaires focus on acquiring assets that will make them money, such as real estate, investments, and their businesses. That's why so many drive Fords and Toyotas.

Source: Thomas J. Stanley, Ph.D. and William D. Danko, Ph.D. *The Millionaire Next Door: The Surprising Secrets of America's Wealthy*, 1996

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Millionaire Myth #5 – True or False?

Millionaires never have to worry about having enough money.

- ▶ Nearly 42 percent of millionaires still don't feel wealthy. They say they'd need investing assets of \$7.5 million to feel truly wealthy and stop worrying. The more you have, the more you seem to need to feel financially secure.

Source: Fidelity, *Millionaire Outlook*, March 2011
www.fidelity.com/inside-fidelity/individual-investing/millionaire-outlook-2011

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3 Ways to Build Wealth



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Sources of Income for Teens



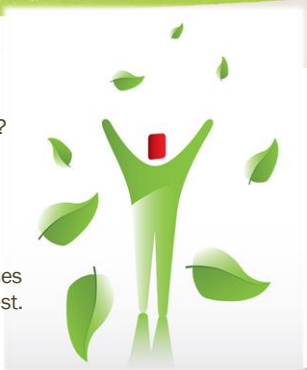
12

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Windfalls

What are your windfalls?



Use unexpected increases in cash to save and invest.

13

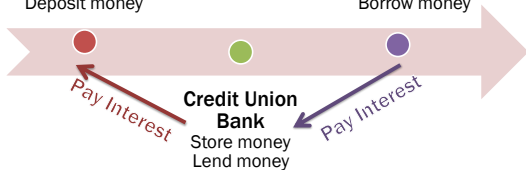
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Savers are Related to Borrowers

Savers
Deposit money

Borrowers
Borrow money



14

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Simple Interest

Simple Interest Rate Formula:
 $I = P \times R \times T$ where

- I = interest
- P = principal (the original invested amount)
- R = interest rate (decimal number)
- T = time (number of years)

Example:
 $\$2.75 = \$500 \times .0055 \times 1$
interest principal rate time

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Grow Your Money the Compound Interest Way

Compound Interest Formula:
 $A = P(1 + r/n)^{nt}$

- A = final amount including interest after t years
- P = principal (original invested amount)
- r = annual interest rate (decimal number)
- n = number of times interest is compounded each year
- t = number of years the amount is invested

Example:
 $\$512.66 = \$500(1 + .025/365)^{365 \times 1}$
final amount principal rate times interest compounded year

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Watch it Grow

Let's say you have \$1,000 saved in an account that earns 3 percent interest once a year.

What is the balance and the compounded interest earned each year over five years?

The Mighty Power of Compounding

Year	Interest Earned	Ending Balance
Beginning		\$1,000.00
1	?	?
2	?	?
3	?	?
4	?	?
5	?	?

Without any physical effort on your part, your money has "worked" to earn you how much interest?

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Interest-Earning Savings Options

Bank or Credit Union

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

www.treasurydirect.gov

- U.S. Savings Bond



18

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Challenge

It Pays to Shop Around

Use the DECIDE steps
to compare and select savings options
that fit your current situation.

19

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Reflection

For one of the quotes below, write a one-paragraph
response that explains what it means to you.

Wealth is not what you make—it's what you keep.

Wealth is what you accumulate—not what you make.

20

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