

## **Financial Literacy Lesson 2: Savings**

**Objective:** To understand the importance of saving at least 10% of your money.

Go back and read the choices you have made for priorities and answer the following questions:

- Are your choices compatible with your definition of wealth?
- Are your choices based on things you need, or things you want?
- How much money every month, do you need for each of your priorities?
- When you have unexpected expenses, which priority or priorities will you let go?
- Did you put savings as one of your priorities?
- How are those priorities making your present life enjoyable?
- How are those priorities making you ready to build your future?

Everyone's first priority should be saving money. This means that with every paycheck, you need to pay yourself a little something first. According to many financial institutions and scholars, we should set aside 10% of our income. This still leaves 90% of your income to pay for everything else (e.g., housing, food, utilities, transportation, gym memberships, etc.)

Using an investment calculator, calculate how much money you will have saved in the future by putting 10% of your income in a medium risk investment (instead of spending it!).

Here are some suggested salaries, use them for your calculations

- Between 18 and 23: you make 400\$ every 2 weeks
- Between 23-25: you make \$900 every 2 weeks
- Between 25-28: you make \$1,000 every 2 weeks
- Between 29-33: you make \$1,200 every 2 weeks
- Between 34-36: you make \$1,400 every 2 weeks
- From 37 on: you make \$1,500 every 2 weeks

Remember, you are putting aside 10% of your money in an investment that will give an interest rate of 5% every year.

- How much will you have at 23 years old?
- How much will you have at 25?
- How much will you have at 28?
- How much will you have at 33?

- How much will you have at 55?