

Teacher's Guide



PIGGY BANK PRIMER

Saving and Budgeting

A WORKBOOK SERIES FROM THE FEDERAL RESERVE BANK OF ST. LOUIS



The Piggy Bank Primer: Saving and Budgeting Teachers' Guide

Description

This guide is designed to provide short lessons for teachers who wish to use *The Piggy Bank Primer: Saving and Budgeting* activity book in their classrooms. These lessons focus on basic economic concepts, such as unlimited wants, goods, services, opportunity cost, saving and budgeting. The lessons employ various teaching strategies to introduce the content and integrate the activities from the student activity book.

Age Level:

6-9 years



Voluntary National Content Standards in Economics

Content Standard 1

Students will understand that productive resources are limited. Therefore, people cannot have all the goods and services they want; as a result, they must choose some things and give up others.

Grade 4 Benchmarks

1. People make choices because they cannot have everything they want.
2. Economic wants are desires that can be satisfied by consuming a good, service or leisure activity.
3. Goods are objects that can satisfy people's wants.
4. Services are actions that can satisfy people's wants.
5. People's choices about what goods and services to buy and consume determine how resources are to be used.
6. Whenever a choice is made, something is given up.
7. The opportunity cost of a choice is the value of the best alternative given up.

Content Standard 2

Students will understand that effective decision-making requires comparing the additional costs of alternatives with the additional benefits. Most choices involve doing a little more or a little less of something; few choices are all-or-nothing decisions.

Grade 4 Benchmarks

1. Few choices are all-or-nothing decisions; they usually involve getting a little more of one thing by giving up a little of something else.
2. A cost is what you give up when you decide to do something.
3. A benefit is something that satisfies your wants.

Note: Create vocabulary word-wall cards to accompany *The Piggy Bank Primer* by visiting www.stlouisfed.org/education_resources. Click on glossary and then on create flash cards.

Lesson One: My Wants

Objective:

Students will explain that everyone has wants that are satisfied by consuming goods and services.

Materials:

Small items such as pencils, erasers and stickers, and a basket.

Procedures:

1. Explain that wants are desires or wishes that can be satisfied by consuming goods or services, such as candy bars, T-shirts, haircuts and car washes. Ask the students for other examples of goods and services.
2. Explain that the resources to satisfy wants are limited, so people have to choose goods or services that best satisfy their wants.
3. Have a basket full of different small items. Ask the students to raise their hands if these are goods that could satisfy some of their wants. Tell students that each of them will have the opportunity to select two items that he or she wants most from the basket.



4. Allow a child to select the two items he or she wants most. Explain that because the teacher's resources are limited, the child will have to choose the one thing he or she wants most and return the other item to the basket. Ask the child the following questions:
 - a. Think about the objects you chose. What desire or wish did they satisfy for you?
(Answers will vary, but might include desire for food or desire to write.)
 - b. Why couldn't you have both objects? *(The teacher has limited goods; so, he or she cannot fill all of the students' requests.)*
 - c. Why did you choose to keep the item you selected? *(I want a pencil for a test. My pencil is short. I want an eraser for my pencil, etc.)*
 - d. When is another time that you had to make a choice between things that you wanted?
(e.g., when spending my birthday or other gift money, when shopping with my parents, when deciding what food to order, deciding what game to play or what equipment to play on at recess or what to do after school, etc.)
 - e. Why did you have to choose? *(e.g., I or my parents didn't have enough money for everything I wanted; I didn't have enough time to do everything that I wanted, so I had to choose; there wasn't enough playground equipment for everyone, so I had to make a choice; etc.)*
5. Repeat this process with every student in the class.
6. Guide the class to the conclusion that people cannot have everything that they want; so, they must make choices to satisfy their wants.
7. Read page 3 in *The Piggy Bank Primer* activity book, and assign Activity 1.

Lesson Two: Now or Later?

Objective:

Students will define “saving” as putting aside income or gift money for future use.

Materials:

Masking tape and an assortment of pictures of goods that students would like to buy, such as candy bars, hamburgers, books, markers, bicycles, doll, robot, radio, video games, DVDs, MP3 players, board games, clothes and so on. (Some pictures should show less costly items that might be purchased by students immediately. Other pictures should show more costly items that students would have to save to purchase.)

Procedures:

1. Describe saving as a way to satisfy wants in the future by putting aside income or gift money today.
2. Tell the students that you are going to hold up pictures of various things they might want. Explain that if it is a picture of something for which they would have to save to buy, they should hold a thumb up. Demonstrate “thumbs up.”
3. Explain that if it is a picture of an item that can be purchased immediately, they should hold a thumb down. Demonstrate “thumbs down.”
4. Write, or draw, a T-chart on the board or on chart paper. Write “Must Save” at the top of one column in the T-chart and “Buy Now” at the top of the other column. As the students decide whether each item is an immediate purchase or requires saving, tape the picture of that item in the appropriate column on the board.
5. Discuss the following.
 - a. if you use all of your money to buy things now, will you have money to save for other things?
(No.)



- b. Why must you save to buy some of these items pictured on the board?
(I don't have enough money to buy the item now.)
 - c. What do you give up if you use all of your money to buy things now?
(things I could buy in the future)
 - d. What do you give up if you save all of your money for future purchases?
(things I want today)
6. Explain that most people buy some things now. They also save so that they can buy things in the future. People also use some of their income to share with others.
7. Remind the students that saving is putting aside some income and gift money for use in the future.
8. Tell students to complete Activity 2 from *The Piggy Bank Primer* activity book.
- Note: Save the pictures from this lesson for use in the next lesson.



My Favorite Things

Objective:

Students will define and identify benefits and costs in making a decision. Students will define and identify the opportunity cost of a decision.

Materials:

Pictures of the goods from Lesson 2, masking tape, and chart paper and markers for each group. Draw a chart like the example below on a transparency, a piece of chart paper or the chalkboard.

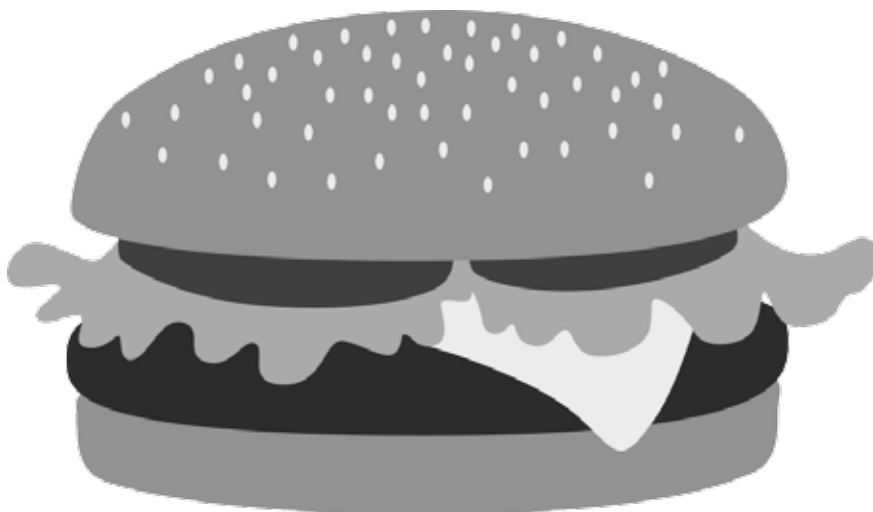
Choice One		Choice Two	
Benefits	Costs	Benefits	Costs

Procedures:

1. Explain that “benefits” are things that are favorable or positive for the person making a decision and “costs” are things that are unfavorable or negative for the person making the decision.
2. When people make decisions, they should think about the costs and benefits of each possible choice. Ann chose to save for her MP3 player. She gave up buying a candy bar in order to increase her savings. Discuss the following:
 - a. What are the benefits of saving for an MP3 player? (*Benefit examples: Ann gets an item that is nicer and that will last longer. Because it will be useful for a long time, she can have more fun with an MP3 player when she buys it. She can share the MP3 player with her friends.*)
 - b. What are the costs of saving for an MP3 player? (*Cost examples: Ann can't satisfy her wants right now—she has to give up things like candy bars and movies. She has to wait until she has saved enough to buy an MP3 player.*)

- c. What are the benefits of buying a candy bar? *(It can satisfy Ann's hunger. It can be enjoyed right away.)*
 - d. What are the costs of buying a candy bar? *(Ann gives up the money—the price of the candy bar—and as a result can't save the money for an MP3 player.)*
3. Explain that the class will practice thinking about costs and benefits when making choices. Choose three pictures of goods for which students would have to save. *(Choose from the pictures used in Lesson 2.)* Display these pictures on the board.
 4. Tell the students they will vote to determine which two goods are the most popular. Each student may vote twice. Have students vote on their favorite items by raising their hands. Record votes for each item under the appropriate picture on the board.
 5. Display the chart paper or transparency with the table on it. Write the names of the remaining two goods pictured on the board in the blanks above the table.
 6. Remind the students that “benefits” are things favorable to the person/people making a decision. Brainstorm the benefits of buying the first good. *(Answers will vary according to students' choices.)*
 7. Remind the students that “costs” are things unfavorable to the decision-maker. Brainstorm the costs of buying the first good. *(Answers will vary according to students' choices.)*
 8. Brainstorm the benefits of buying the second good. *(Answers will vary according to students' choices.)*
 9. Brainstorm the costs of buying the second good. *(Answers will vary according to students' choices.)*
 10. Point out that good decision-making doesn't mean choosing the item with the most benefits or eliminating the item with the most costs, because people must consider both benefits and costs. After the possible benefits and costs for both goods have been listed, have the class decide which good had the most benefits compared to the costs, according to the chart.
 - a. Which choice has the most benefits? *(Answers will vary.)* Which choice has the fewest benefits? *(Answers will vary.)*
 - b. Which choice has the most costs? *(Answers will vary.)* Which choice has the fewest costs? *(Answers will vary.)*
 - c. What is important about the benefits and costs of the good we selected? *(It has the most benefits compared to the costs.)*
 11. Explain that the students were only able to choose one good. By choosing that good, students give up the chance to have the other good. The good they have given up is their opportunity cost. Opportunity cost is the highest-valued thing given up when a choice is made.

12. For additional practice in identifying and comparing benefits and costs, divide the class into groups of four or five. Distribute a sheet of paper to each group of students. Tell them to use their markers to draw a chart like the one on the board on their paper. The chart should include four columns. The heading of the first column should be "Benefits." The heading of the second column should be "Costs." The heading of the third column should be "Benefits." The heading of the fourth column should be "Costs."
13. Give each group three pictures of goods. Make sure that each group receives either three pictures of things which students could buy now or three pictures of things for which they would have to save. Give the students the following guides:
- Groups should narrow the three items to the two that the group members most want.
 - Group members should identify the benefits and costs of buying each item.
 - Group members should select the one good of the two that they will buy.
 - Group members should identify the opportunity cost of the group's choice.
14. Ask each group to answer the following questions.
- a. Why did you choose your good? *(Students should be able to express the idea that the good they chose best satisfied their wants with the greatest benefit compared to the costs.)*
 - b. What was your opportunity cost? *(the highest-valued good given up and the good that had the second-greatest benefits compared to costs)*
15. Ask students why it is important to consider the benefits and costs of each option when making a decision. *(You want to make a decision that satisfies your wants with the most benefits compared to costs.)*
16. Assign activities 3, 4 and 5 in *The Piggy Bank Primer* activity book.



Lesson 4: Where Does My Money Go?

Objective:

Students will explain that managing money involves tracking expenditures.

Materials:

Duplicate a copy of the Pocket Tracker for each student.

Procedures:

1. Remind the students that Ann started her savings account when her mother taught her how to budget. Ann's mother helped Ann decide how much money she wanted to spend, save or share in her budget.
2. Explain that managing money and following a budget involve knowing how much money is spent each day. Ann might have used something to keep track of how much she spent each day. Then she could use that information to help her decide whether her spending decisions were good ones and what changes she might make so that she could better manage to save, spend and share some of her income.
3. Write the following information on the chalkboard or on an overhead transparency. Ann earned \$30 doing jobs for her mother. Here is what she spent during the week:

Sunday	panda exhibit	\$2	soda	\$1	comic book	\$1
Monday	hamburger/soda	\$1	video	\$1		
Tuesday	tablet	\$1	new pencils	\$1	candy bar	\$1
Wednesday	hot dog	\$1				
Thursday	ice cream cone	\$1	new game	\$5		
Friday	lunch	\$2	new socks	\$1		
Saturday	popcorn/soda	\$3	movie	\$3		

4. Distribute a copy of the Pocket Tracker to each student. Tell the students to enter the amounts given above in their trackers. Tell students to use the current dates for the dates on the tracker.
5. Tell students that the class is going to look at Ann's expenses to help her develop a budget. Remind students that a budget is a plan for managing income, saving and spending. Ann wants a budget so that she can reach her goal—to buy an MP3 player. Here are some things to consider when developing a budget.
 - a. Are there expenses that must be paid each week? (*Ann may buy her lunch each day, so she must plan for that expense.*)

- b. Ann's mother told her to save at least 10 percent of her income and gift money for future purchases, such as the MP3 player. How much money did Ann have left unspent? (*\$5*)
 - c. Is this equal to, less than or greater than 10 percent of Ann's income and gift money? (*greater than 10 percent, because 10 percent of \$30 is \$3 and \$5 is greater than \$3*)
 - d. What will happen if Ann saves more than 10 percent each week? (*She'll reach her goal faster.*)
 - e. If Ann can save \$5 a week, how many weeks must she save to be able to buy an MP3 player that costs \$107? (*22 weeks*)
 - f. If Ann wanted to reach her goal more quickly, what would she have to do? (*Save more by giving up spending on some things.*)
 - g. Suggest some things that Ann could give up in order to have more savings. (*comic books, videos, games, movies*) How much could she save each week by giving up these goods? (*Without comic books, video games and movies, Ann could save \$10 more.*)
 - h. How much more could Ann save each week if she gave up popcorn and soda, too? (*\$3 more or a total of \$13 more each week*)
 - i. How long would it take to save \$107 by giving up entertainment expenses? (*If Ann saves \$10 a week, it would take 11 weeks to save for the MP3 player. If she saves \$13 a week, it would take about 8 weeks to save for the MP3 player.*)
 - j. Looking at Ann's pattern of spending and saving money, what do you think Ann should do? (*Answers will vary.*)
6. Remind students that saving more money allows people to get what they want faster. By giving up some things now, Ann was able to get her MP3 player more quickly. Once she has the MP3 player, she may be able to add some of the other items back to her budget.
 7. Emphasize that it is all right for students to spend a part of their income now, but that it is also important to save for things they want in the future.
 8. Tell the students to use Activity 6 in *The Piggy Bank Primer* to track their spending for a week. Tell them this information will help them decide how long it will take them to save to reach a goal that they have.

Describing My Savings Plan

Objective:

Students will explain that a plan is a process developed in advance of doing something to achieve a goal.

Materials:

Writing paper and pencils

Procedures:

1. Tell the students that a plan is a process developed in advance of doing something to achieve a goal.
2. Explain that they are going to develop a plan to help them reach a goal. A goal is an object toward which efforts are directed.
3. Ask the students what their savings goals are. *(Answers will vary.)*
4. Discuss the following:
 - a. What are some things to consider in developing your plan? *(how much income I have, other things that I buy now or want to buy, whether I want to share any of my income, things that I might do to earn additional income, coming events for which I might receive gift money)*
 - b. What is a step you might take in your plan to reach your goal? *(Answers will vary.)*
 - c. Where will you keep your saving? *(in a bank, in a savings jar, in a sock drawer, etc.)*
5. Discuss an opportunity you have had to save for something as follows:
 - I want to buy a plasma television. The price of the television is more than I can afford right now.
 - I reviewed my budget and decided I could give up seeing a movie once a week and eating out once a week. Then, I could save the money that I didn't spend.
 - I decided that I could earn extra income by tutoring students after school. I could save the extra income for my plasma television.
 - I also wanted a new coat for the winter, but I decided to wait, wear my old coat and save the money for my plasma television.
 - I also received money as a gift for my birthday. I put that in my savings account.
 - Although I was tempted to use the money in my savings account for many different things, I knew that I really wanted a plasma television.
 - The opportunity costs of saving to buy a plasma television in the future were the things that I had to give up purchasing daily such as movies, dinners out and a new coat.

6. Distribute pencils and paper to each student. Tell students to write a plan based on the class discussion.
7. After the students have written their plans, have them put the steps for reaching their goal on the steps of the ladder on the tree on Activity 10 in *The Piggy Bank Primer*. Remind the students that they should keep their plan in mind as they work toward reaching their goals.



Glossary

Benefits—Things favorable to the decision-maker.

Budget—A plan for managing income, saving and spending.

Choices—Decisions made or courses of action taken.

Consumers—People who use goods and services to satisfy their wants.

Costs—Things that are unfavorable to the decision-maker.

Goal—Something a person plans to achieve in the future.

Goods—Objects that can satisfy people's wants.

Income—Earnings received for work (providing human resources/labor). People also earn income for providing natural resources, capital resources and entrepreneurial ability.

Money—Something such as currency or coins that is generally accepted as final payment for goods and services.

Opportunity cost—The highest-valued choice that is given up when a decision is made.

Plan—A process developed in advance of doing something to achieve a goal.

Resources—Things used to produce goods and services.

Save—To put aside income or gift money for future use.

Services—Activities that can satisfy people's wants.

Share—A part that is given by one individual to someone else.

Spend—Buy goods and services.

Wants—Desires or wishes that can be satisfied by consuming goods or services.

