FAME

Building Your Future

Chapter 1: Savings Accounts

Key Terms

- Saving
- Investing
- Deposit
- Withdrawal
- Interest
- Interest rate

- Account balance
- Compounding of interest
- Future value
- Present value
- Discount factor
- Rule of 72

Savings Account Basics

emergencies

wants

Investing (retirement)

What would most people save money for?

Big purchases

Goals And Dreams

Where does your money go?

What do you suppose the banks will do with your money?
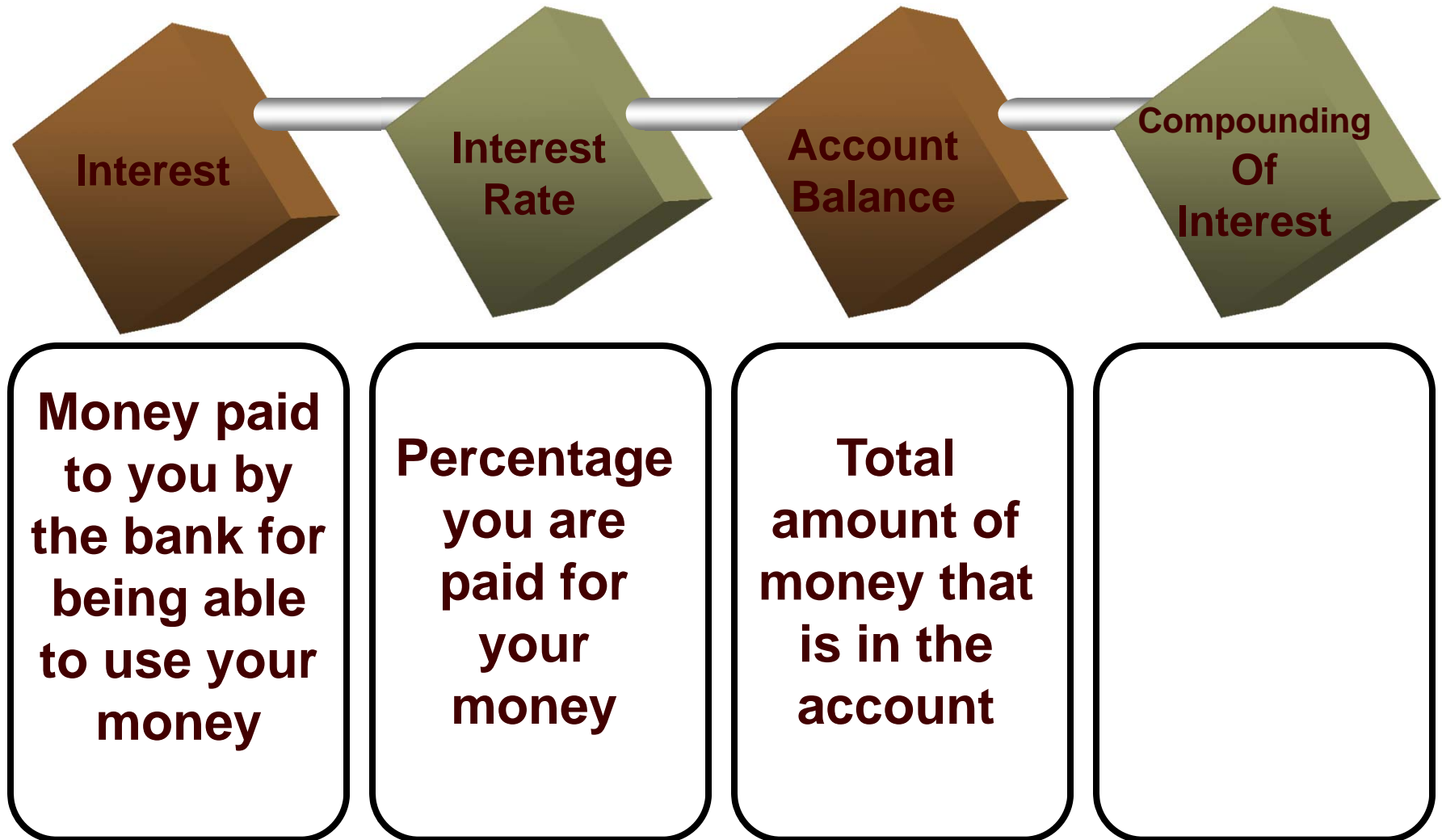
SAVINGS ACCT	BANKS	BORROWERS	SAVINGS ACCT.
DEPOSITS	LOANS	PAY INTERESTS	EARNS INTERESTS

INTEREST PAYMENTS

The Banks pay you interests as a "TOKEN OF APPRECIATION"

Interest	Interest Rate	Account Balance	Compounding Of Interest
Money paid to you by the bank for being able to use your money	Percentage you are paid for your money	Total amount of money that is in the account	

TRY IT!

Examples and Practice: BYF page 3

GIVEN: Annual Interest Rate = 3%

FOR MONTH 1:

STEP 1: Calculate monthly interest rate: 3% ÷ 12(months) = 0.25%

STEP 2: Enter your savings accounts initial deposit as "Beginning Balance". Say $1,000.00

STEP 3: Calculate Interest Payment (IP): 0.0025 x $1,000 = $2.50

STEP 4: Enter "Ending Balance": $1,000 + $2.50 = $1,002.50

TRY IT!
Examples and Practice: BYF page 3 (Savings Account_Ch 1.xls : Savings worksheet)

Let's try calculations for MONTH 2:

STEP 1: Calculate monthly interest rate: 3% ÷ 12(months) = 0.25%
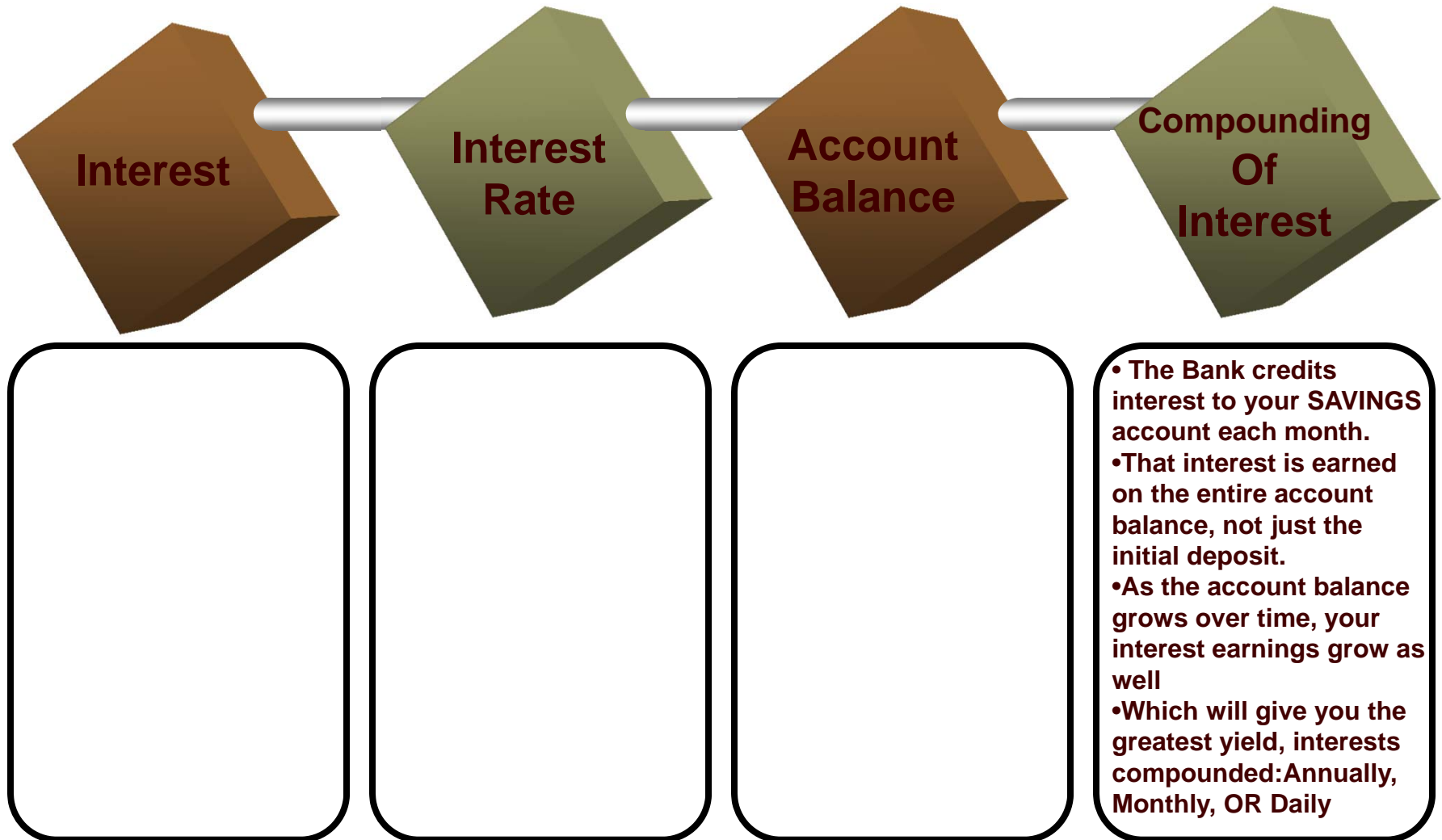
STEP 2: Enter "Beginning Balance" = MONTH 1 "Ending Balance"

STEP 3: Calculate Interest Payment (IP): 0.0025 x $1,002.50 = $2.51

STEP 4: Enter "Ending Balance": $1,002.50 + $2.51 = $1,005.01

INTEREST PAYMENTS

The Banks pay you interests as a "TOKEN OF APPRECIATION"

Interest

Interest Rate

Account Balance

Compounding Of Interest

• The Bank credits interest to your SAVINGS account each month.
•That interest is earned on the entire account balance, not just the initial deposit.
•As the account balance grows over time, your interest earnings grow as well
•Which will give you the greatest yield, interests compounded:Annually, Monthly, OR Daily

TRY IT!

Examples and Practice: BYF page 4: (Piggy SA Spreadsheet_1)

GIVEN: Annual Interest Rate = 3%

FOR MONTH 1:

STEP 1: Calculate monthly interest rate: 3% ÷ 12(months) = 0.25%

STEP 2: Enter your BANK's savings accounts REQUIRED deposit as "Beginning Balance"(BB). (From your research or Bank Brochure)

STEP 3: Calculate "Interest Payment"(IP): 0.0025 x $(gold coin) = IP

STEP 4: Customer makes her 1st deposit. Enter under "Deposits"(D)

STEP 5: Calculate "Ending Balance": BB + IP + (D-W) = EB

Some FINANCE terms

(Savings Account_Ch 1.xls : DF worksheet)

PRESENT VALUE

WORTH OF YOUR MONEY TODAY!

FUTURE VALUE

WORTH OF YOUR MONEY TOMORROW!

DISCOUNT FACTOR

df = PV ÷ FV

LET'S BREAK!

WHEW!!!

39

2 girls

seafood

Hip-Hop

Tae-Kwon-Do

See movies

S-T-E-M

"Heal The World"

paint

drawing

Math-n-Science

The Rule of 72

TRY IT: Examples and Practice p7 (Savings Account_Ch 1.xls : Rule of 72 worksheet)
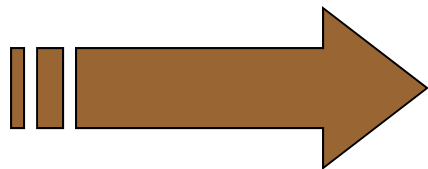
$avings in the Real World

more DEPOSITS, little WITHDRAWALS

Keep DEPOSITS as long as you can to optimize COMPOUNDING OF INTERESTS

Most banks limit the number of withdrawals that can be made from a SAVINGS ACCOUNT without incurring BANK CHARGES

Start SAVING today…..Open a SAVINGS ACCOUNT

INVEST tomorrow!

TRY IT!
Examples and Practice: BYF page 7-8: (Piggy SA Spreadsheet_2)

FOR 1/1/2000: MONTH 1:
GIVEN: Annual Interest Rate = 3%

STEP 1: Calculate monthly interest rate: 3% ÷ 12(months) = 0.25%

STEP 2: Enter your "PIGGY BANK" 12/31/99 balance as "Beginning Balance"(BB) for 1/1/2000.

STEP 3: Calculate "Interest Payment"(IP): 0.0025 x BB = IP

STEP 4 (Customer Transactions): Customer makes her 2nd deposit. Enter under "Deposits"(D)

STEP 5: Calculate "Ending Balance": BB + IP + (D-W) = EB

SAVING Statement

"A dollar today
Is worth more than
A dollar tomorrow..."