



The Messy Meter

Recommended Grades:
7 - 12

Estimated Time:
1 hour

Subject:
Financial Literacy

WHAT YOU'LL NEED

- Pen or Pencil
- Sheet of Paper to Write On
- An Internet-Connected Smartphone, Tablet or Computer
- A Calculator

Bonus Fun:

Use the internet to find local institutions near you and look up their investment options. Which ones are most attractive to you, given your financial goals? Why? To learn more about financial goal-setting, check out [Do I Really Need That?](#)

Evaluating Investment Alternatives

This activity teaches kids about different investment options and what each one means for their money. They'll also answer questions to check their understanding and help them think about investing.

This activity requires access to an internet-connected device, assumes a basic level of computer/technology literacy, and requires a calculator.

Note: Youth should complete the activity [Banking Your Money](#) on how to calculate interest before doing this activity.

STEPS

1. First, familiarize yourself with the definitions of the types of investments we'll discuss in this activity:

- A. Basic Savings Account:** The most fundamental saving tool, these are associated with low minimum balances and few restrictions, but also low interest rates.
- B. High-Yield Savings Account:** These have higher interest rates than typical savings accounts, but often require higher minimum balances and have more restrictions.
- C. Certificates of Deposit (CD):** An investment tool in which money is invested for a fixed amount of time; they typically have higher interest rates that are fixed, but also come with penalties for early withdrawals.
- D. Credit Union:** A nonprofit-making money cooperative whose members can borrow from pooled deposits at low interest rates.
- E. Mutual Fund:** An investment tool that pools the money of many investors and invests it in stocks, bonds, and money market assets, or other securities.



2. Imagine you have \$500 in cash that you want to save for a family vacation next year. Now that you've read about the different investment types, think about how investing this money can allow it to grow before you plan to use it.

3. Look at the options for investing your money below. How much money will you have after one year for each of the following investment options at these fictitious financial institutions. Use the formula $APY = (1 + r/n)^n - 1$, where "r" is interest rate and "n" is number of years to determine how much interest you'd earn, or complete [Banking Your Money](#) to learn more about calculating interest.

- A. State Bank Regular Savings Account.** This bank has a minimum deposit of \$100 required, and a \$500 minimum balance required to avoid \$4 monthly service fee. 2.75% APY.
- B. ABC Investments.** 12 month Certificate of Deposit, or CD, with no minimum deposit. No monthly fees, but you have to pay a fee if you withdraw the money before 12 months. 3.3% APY. Learn more about CDs by doing the Save Smart activity.
- C. Big Bank Premium Savings Account.** No minimum deposit or minimum balance if you are under 18. Unlimited access to make deposits and withdrawals. No monthly service fee if you are under 18. 0.15% APY.
- D. Local Credit Union Vacation Club Savings.** Minimum deposit of \$0.01 and minimum balance of \$0.01. No monthly fees. 0.35% APY.
- E. XYZ Mutual Fund.** Minimum deposit of \$500. No monthly fees. Average annual return rate of 5%. Note that mutual fund returns are not guaranteed (meaning that some years you might earn more, some years less, and some years you may even lose money), but this particular fund has historically averaged a 5% return each year over the long term.
- F. Separately, think of three companies you've heard of.** Use Google to search the stock price for those companies. If you get no results, that may mean it's a private company, which means you can't buy and sell its stock. Try again with a new company until you get results. Use the market summary in the search results to examine each company's stock price over different periods of time. What do you notice about the last day, week, month, 6 months, year, 5 years and maximum amount of time? Does investing in individual stock seem more or less risky than other options? Learn more about stocks by watching this [video](#).

4. Imagine it's a month before the vacation (11 months since you made your investment), and you want to start withdrawing money. Which institutions would apply a fee for withdrawing before a year?

5. Now, discuss: Based on your calculations above, what are your best options for investing your money for 6 months or less? A year? Five years or longer?



Questions to Engage Youth:

Which investment options increased your money the most?
Which ones increased your money the least?

What financial risks are associated with each investment type?

Why is it a good idea to invest your money, instead of just storing it as cash?

What factors are most important to you when selecting an investment option?

Why is it important to compare different investment options?

Why should you keep your money invested for as long as possible?

What would happen to each of your investments in the event of an economic downturn?

Explanation:

You have options for investing your money, no matter how much you have. Many investment institutions have low or no minimum deposit requirements and some even offer rewards and perks for investing. Once you set your financial goals, investing wisely can help you reach them faster.

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