“Assignment The-Benefits-of-Early-Investing” (use with 3 files)

A. Warm-Up: Ask students if they know anyone who has retired and how those retirees spend their time. Tell students that retirees are much like anyone else – those who have planned and invested for their retirement tend to have more choices than those who have not. Remind students that saving is generally for short-term goals while investing is for long-term goals. Tell them this lesson will help them understand the benefits of investing for retirement.

B. Modeling: Display “Assignment The-Benefits-of-Early-Investing.pptx” to help students follow the lesson content. Slide 2. Suppose Person A and Person B are the same age. If Person A saves $24,000 for retirement and Person B saves $72,000 toward retirement, and they both earn the same rate of return, which one will have more money at retirement? (Person B because a greater amount was invested.) Slide 3. Suppose Person A and Person B both invest $24,000, but Person A starts investing at age 25 and Person B starts investing at age 55. If they both earn the same rate of return, who will have more money at age 65? (Note: Person A. If students do not understand why, review the concept of compound vs simple interest before proceeding.) Explain that the choice of when to start investing for retirement affects the amount of money available for their retirement years. Tell them they will be completing an assignment demonstrating this concept.

C. Group Activity: Put students into small groups. Slides 4 and 5. Review the scenario of Mia Saver and Ima Spender with students. Distribute copies of [Calculating Investments](https://econedlink.org/wp-content/uploads/2020/07/The-Benefits-of-Early-Investing.pptx). Review the instructions with students. You may need to do the first couple of calculations as a class to make sure the students understand the calculator. Slide 6. Discuss the answers to ensure students grasp the concept of investing early. (Answers to questions: Which of the two women accumulated the most money in her retirement account? Mia Saver. What is the difference in the amount earned? Mia earned $26,678 more than Ima. What is the difference in the amount invested? Ima invested $48,000 more than Mia. What can you conclude from this example? It pays to start saving/investing early.

D. Individual Activity: Distribute copies of [Comparing Investment Results](https://econedlink.org/wp-content/uploads/2020/07/Individual-Activity-Comparing-Invesment-Results.pdf). Review instructions with students. Slide 7. Discuss answers with students. (Answers to questions: How do these results compare with the accumulated balances in the first example (group assignment)? More money is earned in both accounts. What made the difference in the two assignments? 8% earns more than 7% and accelerates the power of compound interest. What can you conclude about investing for retirement? Check interest rates and start investing early.)

### E. Assessment: Have students write a short paragraph summarizing what they learned about the power of compound interest and investing early.

### F. Extension: Have students redo the exercise with Mia Saver continuing her contributions of $200 per month and earning 7% until retirement at age 65. Discuss her total earnings and how they compare to Ima’s.