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| NGPF_LG.png | *Saving**2.2 Why We Save**Comprehension Questions* |

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| **Name** |  |

Why We Save

1. Fill in the blank with the word DAYS, WEEKS, MONTHS, or YEARS.

Experts recommend you accumulate enough to cover 3 to 6 \_\_\_\_\_\_\_\_\_ of expenses in your emergency fund.

1. Select all of the reasons it's a good idea to begin saving for retirement in your early 20s.

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| **Select** | **Statement** |
|  | You'll benefit substantially from compounding interest over all those years |
|  | Banks typically offer young people higher interest rates, so you'll earn more interest |
|  | Banks typically offer young people lower interest rates, so you'll pay less in interest |
|  | You'll get in the good habit of saving money early |
|  | You will have more months and years in which to save before it's time for retirement |
|  | Young adults typically have fewer responsibilities, can live more thriftily, and can put that money toward savings |

1. True or False: If you start saving as a high school freshman, you'll likely have enough saved by graduation in order to pay all of your college tuition.
   1. True
   2. False
2. Jasmine is 27 and wants to make sure she'll have enough money to retire when she's 67. Which strategy will BEST help her meet that goal?
   1. Save $100 per month in her savings account for the next 40 years
   2. Enjoy a carefree life now -- travel, buy nice things -- and then start saving a lot when she turns 40
   3. Invest automatically, every month, in mutual or index funds, and let the money grow for decades
   4. Invest $100 per month, for the next 10 years, in a high risk/high return stock, and she should have enough already to retire by age 37
3. Which of these is a specialized account used exclusively for saving money for future health expenses?
   1. 401(k)
   2. 529
   3. IRA
   4. HSA
4. Mark whether each of these represents an example of "Keeping up with the Joneses."

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| **Yes** | **No** | **Statement** |
|  |  | Buying new sneakers the day they come out, because you know others in your class will have them, too |
|  |  | Applying to the top colleges, to see if you'll get accepted to any of them |
|  |  | Saving for retirement as soon as you graduate college, to take advantage of compounding interest |
|  |  | Buying a new car, instead of a used vehicle, so that friends and neighbors won't think you're poor |
|  |  | Planning a spring break trip you can't really afford so that your pictures look enviable on social media |

1. Which of these is NOT a known reason that people impulse shop?
   1. A sense that the product will make your life substantially better
   2. Strategic pricing and ads that lead you to believe that if you buy now, you'll save overall
   3. A concern about inflation and its impact on the future cost of goods
   4. The fear of missing out on a great deal
   5. New items make people feel good
2. Select all of the reasons it is dangerous to live paycheck-to-paycheck.

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| **Select** | **Statement** |
|  | If you lose your job, you have no way to pay bills |
|  | You will never be able to buy nice things |
|  | Only low-income people live paycheck-to-paycheck, so living that way means you are poor |
|  | It's difficult to build up savings in an emergency fund or for long-term goals |
|  | Always at risk of overdrawing accounts or maxing out credit cards to meet your needs |
|  | It's stressful and can lead to bad decision-making |

1. Margot is currently a high school junior and wants to be able to pay for all of next year's prom and senior trip herself, using the money from her part-time job, where she gets paid twice per month. Put the steps she should follow to achieve her goal in order.

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| **Steps** | **Statement** |
|  | Determine how much prom and senior trip will cost, in total |
|  | Create a budget that ensures she can meet her short-term needs but also set aside money toward her savings goal |
|  | Determine how much she needs to save per month to meet her goals |
|  | Determine how much she needs to save from each paycheck |
|  | Determine how many months she has between now and these events |
|  | Automatically put the money for savings from each paycheck into her savings account, and don't touch it until prom/senior trip time |

1. Fill in each blank with one word: EARN, HAPPIER, SAVE, SADDER, SPEND.

Research has shown that the more money you \_\_\_\_\_\_\_\_\_\_\_\_, the \_\_\_\_\_\_\_\_\_ you feel.