

## Module 5

# Pay Yourself First



Pay Yourself First

# Introductions

- Instructor and student introductions
- Module overview



# Student Introductions

- Your name
- Your expectations, questions, and concerns about saving



# Purpose

Pay Yourself First will:

- Help you identify ways you can save money.
- Introduce savings options that you can use to save toward your goals.



# Objectives

By the end of this course you will be able to:

- Explain why it is important to save.
- Determine goals toward which you want to save.
- Identify savings options.
- Determine which savings options will help you reach your savings goals.



# Agenda and Ground Rules

- 90 minutes long
- One 10-minute break
- Training methods
- Class participation



# Pay Yourself First

When you get your paycheck, put some of that money in a savings account before you pay your bills.



Pay Yourself First

# Benefits of Paying Yourself First

- Learn to manage money better.
- Save money toward your goals.
- Improve your standard of living.
- Have money for emergencies.





# Interest

Interest is:

- An amount of money banks or other financial institution pay you for keeping money on deposit with them.
- Expressed as a percentage.



# Compound Interest

Money you earn on the “previously paid” interest in your account.



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# Saving \$1 A Day

	<b>No Interest</b>	<b>5% Daily Compounding</b>
<b>Year 1</b>	\$365	\$374
<b>Year 5</b>	\$1,825	\$2,073
<b>Year 10</b>	\$3,650	\$4,735
<b>Year 30</b>	\$10,950	\$25,415



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# Saving \$5 A Day

	<b>No Interest</b>	<b>5% Daily Compounding</b>
<b>Year 1</b>	\$1,825	\$1,871
<b>Year 5</b>	\$9,125	\$10,366
<b>Year 10</b>	\$18,250	\$23,677
<b>Year 30</b>	\$54,750	\$127,077



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# Annual Percentage Yield (APY)

The amount of interest you will earn on a yearly basis, expressed as a percentage.

- The more often your money compounds, the higher the APY, and the more interest you will receive.
- Compare the APYs of different accounts, not the interest rate.



# The Rule of 72

Lets you know:

- How long it will take for your savings to double in value.
- What interest rate you need to earn to double your money in a set number of years.



# Two Ways to Save

- Open a savings account.
- Buy an investment.



# Savings Accounts

- Earn interest.
- Give you easy access to your money.
- Are federally insured by the FDIC or NCUA.





# Four Savings Products

- Statement savings account
- Club account
- Money market account
- Certificate of deposit (CD)



# Special Accounts

- Individual Development Account (IDA)
- Electronic Transfer Account (ETA)
- 529 College Savings Plan



# Investments

Long-term savings options you purchase for future income or financial benefit.

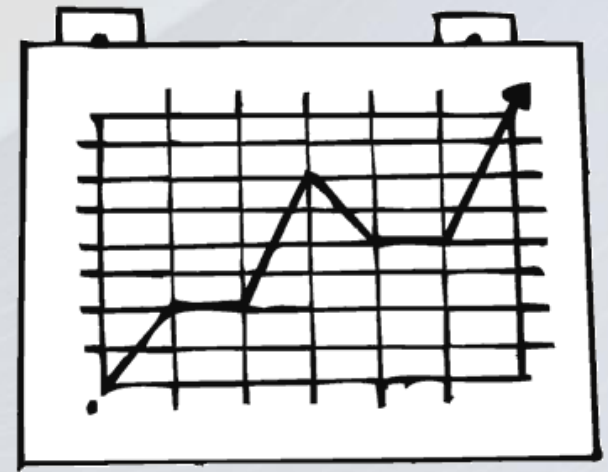
Investments:

- Are NOT federally insured.
- Are riskier than deposit accounts.
- Usually give you a higher rate of return than deposit accounts.



# Investment Products

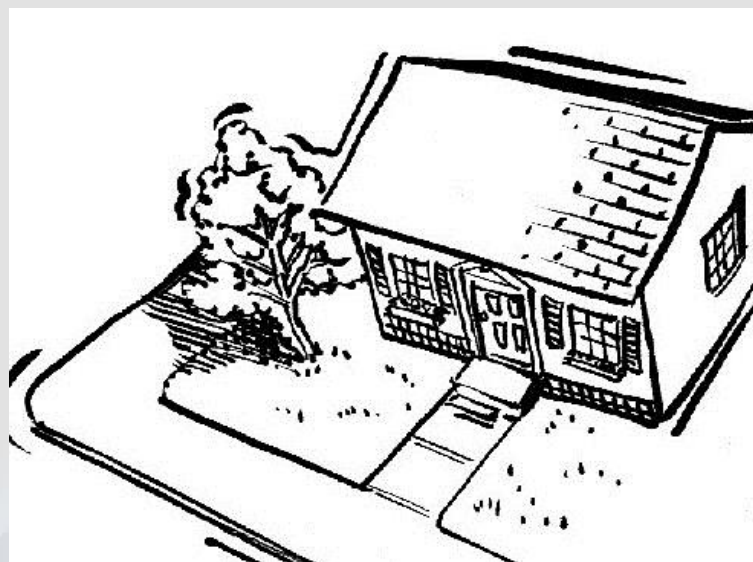
- Bonds
- Stocks
- Mutual funds
- Retirement investments



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# Other Investments

- Owning a home
- Owning a business



# Decision Factors

- How much do you want to accumulate?
- How long can you leave your money invested?
- How do you feel about risking your money?

