

# Bell Ringer Page 63

Your relative has give you \$25 for you birthday. In the short term, is it better to spend or save the money? Which is better in the long term? What would happen if you put the money in a savings account instead of spending it?

# Money Management

CC 5.6

# Learning Objective: I will be able to...

Compare and contrast investment options.

Learn the meaning of a budget and why it is valuable.

# What is money?

- Payment for goods or services
- Scarce Resource
- Must be managed appropriately



# Budget

- The key to managing money is keeping a *budget*.

**Budget**=a plan that shows income and expenses over a period of time.

Income should be greater than or equal to expenses.



# Savings

Savings=the act of setting aside money for future use.

People who save money often save money in banks

# Banks

**Banks** are institutions that keep money, make loans, and offer other financial services.

Banks may pay interest on money deposited in an account.

**Interest**=the price paid for borrowing money. Interest is an incentive for people to save money.



# Credit

Credit=an arrangement in which a buyer can borrow to purchase something and pay for it over time.

i.e. credit card

Credit is a type of loan

Banks charge interest on loans so it is more expensive for a borrower to buy something on credit than to pay for it upfront with cash.



# Investing

**Investing**=the act of using money in the hope of making a future profit.

i.e. stocks, bonds, mutual funds, savings accounts

**Stock**-the share of ownership in a company.

**Bond**-a certificate issued by a company or government promising to pay back borrowed money with interest.

**Mutual Fund**-company that invests members' money in stocks, bonds and other investments.

Investments offer different levels of risk and return.

A safe investment like a savings account offers less return than stocks.

# Checks for Understanding

1. How is interest from a bank account different from interest on a credit card?
2. Which is buying a bond similar to, giving a gift or getting an IOU?
3. Why is a budget a necessary tool?

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Complete the Word Bank. Due 10/5