

A Penny Saved Student Worksheet Answer Key

Directions: Read the comic “A Penny Saved” and answer the following questions:

1. Name at least five things people may sacrifice because they do not save.

- *No money in the piggy bank for emergencies.*
- *Unable to take a vacation.*
- *No money in checking*
- *Unable to buy a home.*
- *Put off getting married.*
- *No money for emergencies like job loss.*
- *Not able to attend college.*
- *Buying necessities like shoes.*

2. What does “saving” mean?

Refraining from buying things now in order to have things we may want later.

3. When you give up the opportunity to spend now, you gain spending power.

4. What do you think “spending power” is?

Answers may vary. The idea is to give ourselves the ability (power) to be prepared for emergencies or be prepared to pay for what we want in the future.

5. “Bank” is short for a depository institution. Name the three types of depository institutions.

- *Commercial banks*
- *Savings and loans*
- *Credit unions*

6. What are the benefits of saving?

- *Safe*
- *Earns interest*
- *Also, discuss with students that it helps keep them from spending the money and disciplines them to save regularly.*

7. What is compound interest?

Interest that is paid on the deposited amount and on interest that has already been earned.

8. Explain the benefit a savings account earning compound interest has over an account earning simple interest.

Over time the account earning compound interest will earn more money than the account earning simple interest.

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9. Explain the Rule of 72.

Divide the compound interest rate into 72 to find how many years it will take your savings to double.

10. How many years will it take to double an amount at 3 percent interest? 24

11. What is liquidity?

The readiness with which an item can be converted into cash without losing at least some of its value.

12. If you sell your computer, TV, or car for cash, is that considered liquidity?
Yes

13. Name two reasons interest rates on long-term deposits are higher.

- *Because the money is required to stay in the bank longer.*
- *Because inflation erodes the value of savings, the higher interest rate helps decrease the amount of money lost.*

14. Why do banks pay interest on the money you deposit?

- *To attract deposits.*
- *They use the money to lend to others.*

15. Based on your reading thus far, what would you say to someone who is debating whether to save money by depositing it in the bank or hiding money at home? Focus on the benefits!

Answers may vary. The idea is that saving money in a bank is safer, and the money will earn the depositor more money over the long term. Hiding money at home is risky because of the possibility of fire or theft. Easy access means the money could be spent, and there is a good chance of losing the money.