

# Money – Savings and retirement

## *Facilitator's outline*

**Recommended Reading:** The Total Money Makeover by Dave Ramsey

## **Facilitator's Summary:**

- This is an introductory lesson to savings and retirement.
- The goal of this lesson is to change the client's mindset about savings so that they have options.
- As a facilitator, focus on giving the client a vision of what life is like when they don't have savings and don't have options. Then, give them the opposite vision and help them see how deferred gratification can make their life easier.

**Objective:** The client will understand the importance of saving money for emergencies and retirement.

## **Hook:**

### **Video Discussion:**

**Video:** Worlds Dumbest Man Loses Life Savings On Carnival Game (tosh.0)  
<https://www.youtube.com/watch?v=32z4ILDjijU>

### **Questions:**

Why do you think the man lost all of his money?

What can you tell about his priorities?

What can you tell about his weaknesses?

What do you think he was thinking?

Have you ever seen anyone do something like this? Tell us about it.

## **Engage:**

**Quote:** "Automating some of your finances can be incredibly convenient and is a great way to save time, but automating everything makes it too easy to go on autopilot and forget to pay attention to your personal finances." - By Alexa Von Tobel

## **Things break.**

- People lose their jobs and sometimes it takes a few weeks to find another one.
- People get sick and can't work.
- Transmissions wear out and break down, leaving a very expensive car on the side of the road.
- We assume that everything will go perfectly and that the things we buy will last a long time.
- This is a bad assumption.
- When we make these assumptions, we can end up in financial trouble because we don't have the money to handle things that come our way.
- Most Americans live paycheck-to-paycheck, spending virtually every dollar that they make each week.

## **The only way to deal with unexpected things to happen is to begin to save money.**

- Savings is how we prepare for unexpected things to happen.
- Lots of people live their life in such a way that it requires everything to go perfectly or they will end up in trouble. Savings allows you to navigate life when something breaks. It keeps you in control of your life.
- Too many people end up in a financial situation where they don't have any options. This creates stress and can make you think about doing something illegal that would send you back to prison.
- Most people don't have any backup plans. They have not learned from the mistakes of their past or from the mistakes that other people have made.
- It is a recipe for trouble when every dollar that you make is already committed to buying something before you spend it.

## **Savings create margin.**

- Having money saved up gives you options when something bad happens.
- Savings allows you to deal with difficult situations.
- Savings reduces stress. You don't have to worry as much when you have a backup plan. You don't automatically panic when something breaks.
- Savings allows you to maintain a sense of control over your life even when things go bad.
- Financial stress will make you think about doing something unwise or wrong in order to make up the difference between what you have and what you need.
- A lot of people get "pay-day" type loans and commit even more of their future earnings to something that is not tangible.
- Others turn to illegal activities in order to make up the difference.
- Having some money set aside as savings will give you positive options, allowing you to accomplish your goals instead of having them derailed by an emergency.

**Quote:** "Do not leave yourself or your family unprotected against financial storms...Build up savings." - By Ezra Taft Benson

## Start by building an emergency fund.

- Set up a savings account and make regular contributions to it. Build a nest egg that will allow you to fix things that break in your life, make it through a job transition, or survive through a rough financial patch.
- You can only save money by making it a priority. There will always be something else to spend your money on. In order to have a savings account, you have to decide that you want to have one and that it is important to you.
- Pay yourself first. Before you spend any money on entertainment, clothing, or any optional thing, put money into savings. Then, only take it out for an emergency.
- Make room in your budget to save by reducing expenses. Move down to the next lower cable or satellite package. Eat out less. Find ways to spend less money.

If you start earning more money, don't automatically spend the extra income. Save it instead. You already know how to live on your present income. Stay at that level as long as you can.

- Pay off loans, starting with the smallest one.
- Once you pay off the first loan, don't start using the extra money on optional things.
- Instead, use it to start paying off any other loans that you have.

## Credit is the opposite of saving.

- Credit is spending money that you haven't earned yet.
- It is making the promise that you will work for the person that loaned you the money.
- If you make \$10 per hour and work 40 hours per week, you'll make \$400 before taxes.
- Let's say that your take-home pay is \$350.
- Perhaps you get a car loan for \$350 per month for the next 5 years. Because of that loan, for one week out of every month for the next 5 years you are committed to work for the company that loaned you the money to buy that car.
- Everything that you earn for that week will go to that company.
- You are literally selling part of your future.
- Sometimes, this can be a good thing.
- It can allow us to get the things we need now, even though we haven't been able to save the money to buy them.
- It can also be a bad thing. It can allow us to buy the things that we want and end up keeping us from having the money to buy the things that we need.
- In addition, you will pay interest on the money that you borrow.
- Interest means that you will actually pay more than the listed price for the same item.
- Debt is something that you should seriously consider before you take out a loan.

## Retirement is savings for the future.

- You are not going to be able to work forever.
- Some of that may be because physical reasons.
- As we get older, our bodies break down and we can't do as much as we once did.

- As we get older, a lot of companies will try to replace us with a younger person.
- They don't get paid as much on average.
- They don't have health issues that older people tend to deal with.
- In many cases, they are capable of doing more work.
- If you can no longer work, how will you live?
- Retirement savings are the answer to that question.

## **Most Americans pay a Social Security tax (FICA) each year.**

- This tax builds up over your working years and makes you eligible for Social Security benefits when you reach retirement age.
- This is not a savings program. The amount of money that you get in benefits is tied to how much you contributed, but there is not a bank account with "your money" in it. Social Security is part of the American government system to help people who have reached retirement age.
- The problem with relying solely on Social Security is that the government can change the system whenever they like in order to keep it financially solvent.
- They can raise the retirement age, change your benefits level, decide to tax the benefits, etc.
- It is best to create your own retirement account and build it up over time.
- The earlier you start saving for retirement, the more you can accumulate because of compounded interest.
- The money you save at an earlier age (for example, in your twenties) will earn interest, and then earn interest on the interest year after year.
- The American government provides several tax-deferred options. (You pay the taxes after you start taking the money out of the account, not while you are putting it in. It allows you to earn more interest on the money.) An example of a tax-deferred account would be a 401k or a 403b.
- The money in the account can be invested in stocks, bonds, commodities, or savings. There are investment companies that handle the money for you.
- Most of these are offered through your employer, but you can find them yourself by contacting an investment professional.
- Another way of saving for retirement is a savings account. However, they have several drawbacks: you have easy access to the money and may spend it before retirement, most accounts earn low interest rates that won't keep up with the cost of inflation, and you have to manage your own money.
- Another way of saving for retirement is by investing – usually through purchasing stock in a company – though there are many different ways that you can invest.
- There are also some drawbacks of investing.
- There are no guaranteed returns and you can even lose money depending on the performance of the company and the overall economy.
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- Retirement is a good area to hire a professional investment counselor to help you make a plan and keep it.

**Quote:** "Social security, bank account, and credit card numbers aren't just data. In the wrong hands they can wipe out someone's life savings, wreck their credit and cause financial ruin." - By Melissa Bean

## Discussion:

1. Do you know anyone who has gotten in trouble because they needed money for an emergency? What happened?
2. Do you think as clearly when you are under stress? How can you avoid financial stress?
3. Why do most people not save money? List the reasons.
4. Which of the reasons are good? Which are bad? Which are silly? Why?

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*Participant worksheet*

## Video Discussion:

Why do you think the man lost all of his money?

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What can you tell about his priorities?

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