

# Comparing saving and investing

Students explore the differences between saving and investing and answer questions about which one they'd use to reach different financial goals.

## Learning goals

### Big idea

People typically save for short-term goals and invest for long-term goals.

### Essential questions

- What are some differences between saving and investing?
- What are some long-term goals you can achieve with investing?

### Objectives



- Understand the differences between saving and investing
- Explore the different goals saving and investing can help achieve

### What students will do

- Explore the differences between saving and investing.
- Determine whether saving or investing would be ideal for reaching different financial goals.

#### KEY INFORMATION

Building block:

-  Financial habits and norms
-  Financial knowledge and decision-making skills

Grade level: High school (9-12)

Age range: 13-19

Topic: Save and invest (Investing)

School subject: CTE (Career and technical education), English or language arts, Social studies or history

Teaching strategy: Competency-based learning

Bloom's Taxonomy level: Apply, Analyze

Activity duration: 15-20 minutes

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#### STANDARDS

Council for Economic Education  
Standard V. Financial investing

Jump\$tart Coalition  
Investing - Standard 1

## Preparing for this activity

- Print copies of all student materials for each student, or prepare for students to access them electronically.
- While it's not necessary, completing the "Setting a SMART savings goal," "Storing my savings," and "Evaluating savings scenarios" activities before this one may make it more meaningful.

### What you'll need

#### THIS TEACHER GUIDE

- [Comparing saving and investing \(guide\)](#)  
[cfpb\\_building\\_block\\_activities\\_comparing-saving-investing\\_guide.pdf](#)

#### STUDENT MATERIALS

- [Comparing saving and investing \(worksheet\)](#)  
[cfpb\\_building\\_block\\_activities\\_comparing-saving-investing\\_worksheet.pdf](#)

## Exploring key financial concepts

There are important differences between saving and investing. Generally, people use savings for short-term financial goals such as a vacation or a down payment on a car. They often put their savings in financial products such as savings accounts and certificates of deposit because their money is insured by the federal government, and they usually can access the money easily. However, financial returns on savings products usually are relatively low. To reach long-term financial goals that may take five or more years to achieve, some people turn to investing, which may earn a larger financial return. Putting money in things like stocks, bonds, and mutual funds can mean greater returns over the long term, but it also means higher risks. These investments aren't insured, and you could lose some or all of the money you invested because of market changes. Understanding the tradeoffs between saving and investing can help you create a financial plan that works for you now and in the future.

#### TIP

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Because financial products, terms, and laws change, students should be encouraged to always look for the most up-to-date information.

## Note

It's important to emphasize that all investments, even savings products, have some level of risk. These risks include how readily investors can get their money when they need it; how fast their money will grow; whether they can lose some, all, or in some cases, more than their initial investment; and how inflation, taxes, market conditions, and other external factors may affect the value of their investment.

## Teaching this activity

### Whole-class introduction

- Introduce the activity to students by explaining that they'll examine some differences between saving and investing.
- Be sure students understand key vocabulary:
  - **Annual return:** The profit or loss on an investment over a one-year period.
  - **Bond:** A type of debt, similar to an IOU. When you buy a bond, you're lending to the issuer, which may be a government, municipality, or corporation. The issuer promises to pay you a specified rate of interest during the life of the bond and to repay the principal – also known as the bond's face value or par value – when the bond "matures," or comes due after a set period.
  - **Capital gain:** The profit that comes from selling an investment for more than you paid for it.
  - **Certificate of deposit (CD):** Savings tool with fixed maturity date and fixed interest rate.
  - **Invest:** To commit money to earn a financial return; the strategic purchase or sale of assets to produce income or capital gains.
  - **Investment:** Something you spend money on that you expect will earn a financial return.
  - **Long-term goals:** Goals that can take more than five years to achieve.

### TIP

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Visit CFPB's financial education glossary at [consumerfinance.gov/financial-education-glossary/](https://consumerfinance.gov/financial-education-glossary/).

**Mutual fund:** A company that pools money from many investors and invests the money in securities such as stocks, bonds, and short-term debt. The combined holdings of the mutual fund are known as its portfolio. Investors buy shares in mutual funds. Each share represents an investor's part ownership in the fund and the income it generates.

- **Risk:** Exposure to danger, harm, or loss.
  - **Return:** The profit or loss on an investment.
  - **Savings:** Money you have set aside in a secure place, such as in a bank account, that you can use for future emergencies or to make specific purchases.
  - **Security:** An investment product such as a stock or bond.
  - **Short-term goals:** Goals that can take a short time, or up to five years, to reach.
  - **Stock:** A type of investment that gives people a share of ownership in a company.
- Distribute the "Comparing saving and investing" worksheet.
  - Ask students to review the worksheet and take a few minutes to read the overview.
  - Check to see if students have any questions about how saving and investing differ.
  - Engage students in a discussion to come to a common vision of how savings and investing differ.

## Individual or group work

- Students can work individually or in pairs but should complete their own worksheet.
- Have students review the financial goals in the worksheet and determine whether saving or investing would be the ideal strategy for reaching each goal.
- After selecting either saving or investing, they should explain why they selected that strategy.
  - This is the key part of the activity; their reason for their answer will give you the most insight into their understanding of these concepts.
- To personalize their learning, students' final task on the worksheet is to write down some long-term goals they might want to try to achieve through investing.

## Wrap-up

- Bring students together to discuss their responses.
- Let students share why they chose the strategy they did.

## Suggested next steps

Consider searching for other [CFPB activities](#) that address the topics of saving and investing, including building emergency savings, saving for college, and saving for long-term goals.

## Measuring student learning

Students' responses can give you a sense of their understanding of the differences between saving and investing. **Keep in mind that students' answers may vary.** The important thing is for students to have reasonable justifications for their answers.

This answer guide provides possible answers for the "Comparing saving and investing" worksheet.

## Answer guide

Financial goal	Save or invest? Why?
Build an emergency fund before the end of the year.	Save: This is a short-term goal; many savings products have low risks and can give you easy access to the money.
Have a down payment for a house in 10 years.	Invest: This is a long-term goal for which the money won't be needed soon; taking some risk may mean a higher return.
Buy a recently released video game system in 6 months.	Save: This is a short-term goal; many savings products have low risks and can give you easy access to the money.
Open a retirement account to help you retire in 40 years.	Invest: This is a long-term goal for which the money won't be needed soon; taking some risk may mean a higher return.
Have a down payment for a car next year.	Save: This is a short-term goal; many savings products have low risks and can give you easy access to the money.
Build wealth over your lifetime.	Invest: This is a long-term goal for which the money won't be needed soon; taking some risk may mean a higher return.