

 BUILDING BLOCKS STUDENT WORKSHEET

Comparing saving and investing

Saving and investing are helpful financial tools with important differences. Understanding those differences can help you plan your financial future.

Instructions

1. Read the overview of the differences between saving and investing.
2. Review the financial goals in the table.
3. Determine whether saving or investing would be the ideal way to try to meet each goal.
4. Answer the reflection question.

Overview

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 (CDs) because their money is insured by the federal government and they usually can access the money easily. However, interest rates on savings products usually are relatively low.

To reach long-term financial goals that may take five or more years to achieve, people often turn to investing. Putting money in investment tools like stocks, bonds, and mutual funds can mean greater rewards over the long term, but it also means higher risks (investments aren't insured, and you could lose some or all of the money you invested). Understanding the tradeoffs between saving and investing can help you create a financial plan that works for you now and in the future.

Achieving financial goals

Imagine that you have \$200 to put in a savings account or to invest right now. To achieve each financial goal below, which do you think would be an ideal strategy, saving the \$200 or investing it? Explain your choice.

Financial goal	Save or invest? Why?
Build an emergency fund before the end of the year.	
Have a down payment for a house in 10 years.	
Buy a recently released video game system in 6 months.	
Open a retirement account to help you retire in 40 years.	
Have a down payment for a car next year.	
Build wealth over your lifetime.	

Reflection question

What are some long-term goals you'd like to try to achieve through investing?