



## 3<sup>rd</sup> Grade Activity Packet

### Free Financial Literacy for Kids



Much like reading with children from a young age can help strengthen literacy, engaging with children about money topics can be a powerful tool to help them better understand money and develop healthy habits. In fact, research shows that many money habits are set by age seven.

The Illinois State Treasurer's Office created the Money Minded Illinois program in 2018. It is a free financial literacy curriculum for teachers and school districts across the state. It was written to meet Illinois State Board of Education (ISBE) standards, and full curriculum booklets are available for download for first grade through middle school at [MoneyMindedIllinois.com](http://MoneyMindedIllinois.com).

A few activities from each grade booklet were selected to make packets for families and communities to engage with children in conversations about money. We hope you enjoy learning together and completing the activities. Topics covered in this packet include:

1. Saving and spending
2. Careers, job skills, and interests
3. Being a business owner
4. Banks in our community
5. Large purchases and interest



You can also enhance your own personal finance knowledge by creating a free account on the Illinois Financial Wellness Hub (FinWell Hub) at [IllinoisTreasurer.Enrich.org](http://IllinoisTreasurer.Enrich.org). The FinWell Hub offers practical tools and courses, as well as free access to Certified Personal Finance Coaches. The FinWell Hub is for adults and high school age students.

Happy learning!

Illinois State Treasurer's Office



**Michael W. Frerichs**  
ILLINOIS STATE TREASURER

# MONEY

One way all people are alike is we all want our lives to be as easy and enjoyable as possible. We satisfy our wants for an easy, more enjoyable life with goods and services. Goods are objects like a video game, a puzzle or a basketball. People want video games because they are fun to play. Services are something someone does for someone else. An example of a service is a teacher who teaches his students. Another example of a service people use is eating at a restaurant. When the chef prepares your meal and the server takes your order and brings your meal to you, they are both providing a service. People go out to eat at restaurants because it's easier and more enjoyable to eat a meal with family or friends when you don't have to do the work to shop for, prepare or clean up after the meal.

No matter how easy or enjoyable our life is, we always want things that would make it easier and more enjoyable. Our wants are unlimited. While goods and services help us to enjoy life, they cost money. People value money because money allows us to get the goods and services we want.

The main purpose of money is to act as a go-between, making it easier for buyers and sellers to come together to exchange. Buyers are willing to spend money to get the goods and services they want from sellers who are willing to accept money as payment in exchange for goods and services. In this way, money acts as a *medium of exchange*. Without money, people would have to find someone willing to trade something they had for something that they wanted. Money makes it easier for buyers and sellers to come together to trade.



Think about it...

Think about a time when you traded a friend to get something you wanted for something he had. Was it easy to make the trade? How did the trade benefit each of you? Write a paragraph about your trade experience.

What are some goods and services you and your family use to make your life easier or more enjoyable? List them on the back of this paper.



Name \_\_\_\_\_



Think about it...

My trade experience:

---

---

---

---

---

---

---

---

---

---

---

---

Goods and Services I use that make life easier or more enjoyable:





## What do we do with Money?

People use money in different ways. One common way people use money is by spending it to get the goods and services they want and need. People spend their money on goods and services because they expect to be better off after the exchange.

Money makes exchanges between buyers and sellers simple and easy.

Today, when we want a good or service, we can go to a store and exchange our money for things we want. It hasn't always been that easy. Before money, people used to barter for goods and services. This means they exchanged goods and services for other goods and services. While there are many advantages to bartering, it was not a very efficient way for people to get the things they wanted. Finding two people who each had something the other person wanted and were willing to trade was sometimes difficult or complicated. Nowadays, most sellers are willing to accept money in exchange for the goods or services they sell. They then use the money they receive from a buyer to buy the goods and services they want. Money makes exchange much simpler.

Besides spending, there are other ways that people use money. Some people save part of their money. Saving money means not spending it now so that it is available to use in the future. Saving can be difficult because we all have unlimited wants for goods and services we believe will make life easier or more enjoyable. When we save, we give up the opportunity to get those goods and services we want now so that we have money to get the things we want in the future.

People save their money for different reasons. Some people save their money to buy something in the future that they don't have enough money to buy today. We call this short term saving. Some people save money for many years so that they have money for something big in their future like college, a house or retirement. We call this long term saving. Even though saving can be difficult to do, people are better off when they save some of their money for the future. Setting goals can help people to not spend all of their money now so that they can save for the future.



Think about it...

Think about a time when you spent money to get a good or service you wanted. Why did you make the exchange?

Do you save some of the money you earn or get as a gift? Why or why not?



Name \_\_\_\_\_

## What do we do with Money?

Another way some people use money is by giving to organizations who help others in need. We call these types of organizations charities. Charities raise money to help others in need. There are many different types of charities. Some charities help people who are sick or need special medical treatment. For example, the American Cancer Society and American Heart Association work to promote healthy lifestyles, free from cancer and heart disease. Other charities, like Big Brothers Big Sisters of America and Boys & Girls Clubs of America help children be safe, learn and gain confidence and skills. Some charities help animals, people with disabilities, schools, veterans, people who have experienced a natural disaster or people who are hungry. There are many different ways to help people in need. When people put other's needs above their own wants, giving helps to make the world a better place, one dollar at a time.



Think about it...

Have you ever given money to help someone else in need? Why or why not?

If you had \$100 to give, to whom would you give it? Why? How do you think it would be used to help others in need?



# Where would you go for a Job?

Would your family be willing to move to a different city or state for a job? Each year, millions of people throughout the United States move some place new for work. Where a person lives, or their geographic location, can greatly affect the type of jobs available to them within their community. Certain types of work, like teachers or doctors exist throughout our country. Other jobs are found only in certain parts of the country. For some people, this might mean that they have to be willing to live in a particular area in order to do their job.



One example of a job found only in certain areas is an oceanographer. An oceanographer researches coastal regions to help us better understand issues like climate change, hurricanes and habitat conservation for ocean animals. Because their work involves studying the coastal region, people who are interested in working as an oceanographer need to be willing to live near the ocean. Because they are not near the ocean, the Midwestern states offer few if any job opportunities for oceanographers.

## Top industries by state:

Alaska: Oil and gas extraction

California: Technology, electronics manufacturing, and motion pictures

Florida: Tourism and agriculture

Georgia: Broadcasting and telecommunications

Hawaii: Tourism

Indiana: Chemical products manufacturing

Louisiana: Petroleum and coal products manufacturing

Michigan: Manufacturing

New York: Financial

Wisconsin: Manufacturing and Hospitals

Another example of a job found in a specific part of the country is the oil drilling industry. Most of the oil rigs in the United States reside in the Gulf of Mexico, off the shores between Florida and Texas. Oil rig workers typically work shifts of two to four weeks at a time on the rig before returning home for a break. People interested in working in the oil drilling industry must be willing to be away from their families for weeks at a time and also live near the Gulf.

Many workers in technology jobs live and work in the San Francisco Bay area in California. This region is well known as the corporate headquarters to many innovative technology giants like Google, Facebook and YouTube. Workers looking for the best job opportunities in the technology industry would benefit from living in this area.

Another industry found in California is the movie industry. Hollywood is home to the U.S. film industry since this is where most of the entertainment studios and offices reside. Many workers hoping to land a career in television or motion pictures move to L.A. to find a job.



Name \_\_\_\_\_

In the southern part of the country, agriculture and farming work is prominent as the climate allows for work throughout the year. In the Midwestern states, such as Illinois, there are a lot more services provided. Illinois is known for Chicago's financial service industry. There are many financial service jobs in the Chicago area.

Sources:

<https://www.bls.gov/opub/ted/2016/major-industries-with-highest-employment-by-state.htm>

<https://www.msn.com/en-us/money/markets/largest-industry-in-each-state/ss-AAqgcef#image=51>



Think and Write about it...

What do **you** think? Would you be willing to move away from your family to a new city or state for a job that you really want? Why or why not?





# Decisions



Everyone has to make decisions. Sometimes they are easy and sometimes are hard. Some might be made quickly and others may take more time. But the decisions you start making today can have an impact on your future.

For instance, it's never too early to start figuring out what you really like to do. Once you figure out what you enjoy, you can make a decision to gain additional skills and knowledge to help you continue to build your skills. If there's a job that interests you, ask an adult questions about it. Usually an adult who has that type of job is happy to talk with you and help you learn more about it. Asking questions can also help you find out if there is a special type of education or classes that you have to think about.

When you are a bit older, you might also be able to get a part-time job helping out with an area that interests you. For instance, if you love plants and flowers, a family member or your neighbor might hire you to help them with their garden. You can also visit your local library to learn more about any special skills that are needed for a particular job. When you are trying to make a decision, it's helpful to discuss it with the people around you. All types of experiences can help provide you with the skills you need to be successful in future job opportunities.

Start thinking about which direction is of interest to you!





## Professional Athletes



Are you really good at a sport? Do you have dreams that someday you would like to become a professional athlete? I know I sure do. I love playing soccer. My mom is always telling me that I can't play until my homework and chores are done. Between you and me, sometimes I try to rush through everything just so I can get outside and play! Let's take a closer look at professional sports since so many of us dream about it. Did you know that about 8 million students play sports in high school every year? Of that, only 480,000 compete at National Collegiate Athletic Association (NCAA) schools and only around 1% to 9% ever play professionally or become an Olympic athlete. That's a really low number! Hold on though. Even though our chances of playing professionally are pretty low, that doesn't mean we won't be able to have a career related to the sport we love so much. Here are a few careers that you

might be interested in:

- Athletic Trainer
- Physical Therapist
- Medical Assistant
- Sports Massage Therapist
- Sports and Fitness Nutritionist
- Marketing and Promotions
- Coach
- Strength and Conditioning Coach
- Sports Physician
- Sports Psychologist

It's great to think that we can still have a professional role in the sport we love so much ... even if it doesn't involve actually playing the sport professionally!



### Think about it....

Do you have an interest in working in a sports related field? Why or why not? Write a paragraph using evidence to support your opinion.

Rpowell. "Estimated Probability of Competing in Professional Athletics." *NCAA.org - The Official Site of the NCAA*, 23 Apr. 2018, [www.ncaa.org/about/resources/research/estimated-probability-competing-professional-athletics](http://www.ncaa.org/about/resources/research/estimated-probability-competing-professional-athletics).



Name: \_\_\_\_\_

# INTEREST INVENTORY

For this activity, you are going to take an inventory of your interests and talents.

**Part I:** Below are different groupings of careers, each with a question. Think of what you like to do and what you don't like to do. Write Yes or No next to the question.

Do you like to build and fix things? \_\_\_\_\_

- Carpenter
- Auto mechanic
- Architect
- Electrician
- Engineer

Do you like computers? \_\_\_\_\_

- Computer Hardware Engineer
- Computer Support Specialist
- Database Administrator
- Software Developer
- Web Developer

Do you like to make food? \_\_\_\_\_

- Chef
- Waitress
- Food preparation worker
- Baker

Do you like to help people feel better? \_\_\_\_\_

- Pharmacist
- Dentist
- Nurse
- Optometrist
- Doctor



Name: \_\_\_\_\_

Do you like to help people in your community? \_\_\_\_\_

- Childcare worker
- Firefighter
- Police Office
- Social Worker
- School and Career Counselors

Do you like making sure everyone follows the rules? \_\_\_\_\_

- Court reporter
- Judge
- Lawyer
- Paralegal
- Mediator

Are you good at taking care of money? \_\_\_\_\_

- Accountant
- Analyst
- Bookkeeping Clerk
- Loan Officer

Do you enjoy math? \_\_\_\_\_

- Electrical Engineer
- Mathematician and Statistician
- Cost Estimator

Do you enjoy hearing stories on television, the internet, or radio? \_\_\_\_\_

- Editor
- Technical Writer
- Reporter
- Film and Video Editor
- Camera Operator
- Sound Engineering Technicians
- Public Relations Specialist

Are you creative? \_\_\_\_\_

- Actor
- Artist
- Dancer
- Designer
- Inventor
- Musician
- Photographer



Name: \_\_\_\_\_

Do you enjoy leading others? \_\_\_\_\_

- Entrepreneur
- Small business owner
- Manager

Do you enjoy nature and being outdoors? \_\_\_\_\_

- Agriculture & Food Scientist
- Farmer
- Landscape Architect
- Veterinarian
- Zoologist

Do you enjoy reading? \_\_\_\_\_

- Editor
- Librarian
- Reporter
- Writer

Do you like science? \_\_\_\_\_

- Chemist
- Pharmacist
- Microbiologist
- Environmental Scientist

Do you like social studies? \_\_\_\_\_

- Economist
- Historian
- Psychologist

Do you enjoy sports? \_\_\_\_\_

- Referee
- Professional Athlete
- Coach
- Fitness Trainer
- Recreational Therapist

Do you enjoy teaching others how to do something? \_\_\_\_\_

- Teacher
- College Professor
- Teacher Assistant



Name: \_\_\_\_\_

Do you like being on the road? \_\_\_\_\_

- Truck Driver
- Railroad Worker
- Airline Pilot
- Delivery Truck Driver
- Taxi Driver

**Part II:** Look at the questions where you answered yes. Listed below are possible careers that you might enjoy based on what you like to do. Look at a few of the careers that match your choice. If any of the careers are not familiar to you, research them to find out more.

**Part III:** Now that you have found a career or two that you may be interested in, think of three goals you can set for yourself to be successful in this career.

1.

2.

3.



# Skilled Workers



The term 'skilled workers' refers to individuals who have special skills or training and knowledge for a certain type of job. Some of these jobs require individuals to attend a technical or vocational school. For other positions, they may participate in apprenticeship programs where they receive their training while they work. Some of these jobs include hair stylists, plumbers, carpenters, and electricians.

The United States is one of several countries around the world who are experiencing a shortage of skilled workers. Many countries have started focusing on increasing apprenticeship programs to help individuals train for these specialized jobs. In the United States, there are apprenticeship programs offered in these areas:

Advanced Manufacturing

Hospitality

Construction

Information Technology

Energy

Telecommunications

Finance and Business

Transportation

Healthcare

Over 170 industries are offering apprenticeship programs and there are different levels of positions. Some require skilled labor and others require higher levels of education, such as a college or professional degree.

There are a variety of jobs available to individuals. Skilled workers are an important part of our nation's economy.

"UNITED STATES DEPARTMENT OF LABOR." *United States Department of Labor*, [www.dol.gov/apprenticeship/](http://www.dol.gov/apprenticeship/).

Elejalde-Ruiz, Alexia. "Apprenticeship Programs Enjoy New Life as a Workplace Solution." *Chicagotribune.com*, 26 Oct. 2017, [www.chicagotribune.com/business/ct-biz-apprenticeship-expansion-1029-story.html](http://www.chicagotribune.com/business/ct-biz-apprenticeship-expansion-1029-story.html).



## Being a Business Owner

Another type of work that people don't always think about is owning a business. It can be fun, exciting, and rewarding ... but it can also be quite challenging!

First of all, workers expect a regular paycheck when you work for a big company. That's not always the case when you are the own a business. Another big difference is that when you work for a big company, you usually have one main job in that company. When you own a business, you have to do several different jobs. If one of your workers is sick, you will probably have to do their job that day as well as yours.



If you are creative and are a leader, than this may be rewarding work for you to explore. Sometimes this type of job is like a great big puzzle. You have to figure out what individuals are interested in buying and you have to cover all of your expenses in order to earn a profit. If you have a good idea or product, than other businesses may open up that sell an item similar to your products.

One of the best benefits is that you are working for yourself! There may be long hours that you have to work, but you have a lot of control with what you want to do. Here are some common traits that most business owners have in common:

- **Resilient.** There are a lot of ups and downs. A good business owner is able to keep moving forward even when things aren't going well.
- **Focus.** Business owners are able to think about the future and figure out what the next step should be to help them reach their goal.
- **Planning.** They need to think about lots of different things in order to grow their business.
- **Learning.** Business owners always have to learn new things.
- **Money Management.** Business owners need to be very good about taking care of the money the business earns.
- **Managing Projects.** They need to be good at making sure all of the company's projects are completed on time.
- **Solving problems.** They need to think things through and figure out solutions to problems.

One of the best things about owning a business is that it can be in almost type of industry and in any state! What do you think ... does this sound like something you might like to do?

Sherman, Fraser. "Risks of Starting a New Business." *Small Business - Chron.com*, Chron.com, 30 June 2018, [smallbusiness.chron.com/risks-starting-new-business-4195.html](http://smallbusiness.chron.com/risks-starting-new-business-4195.html).





Name: \_\_\_\_\_

### Venn Diagram Activity

Below are different skills people need for work. Think about each item and whether you think that item matches someone who works for others or owns their own business.

Steady work

Creative

Leading other employees

Solving problems

Similar working hours

Managing money

Lots of different jobs/roles

Lots of ups and downs

May not have a steady paycheck

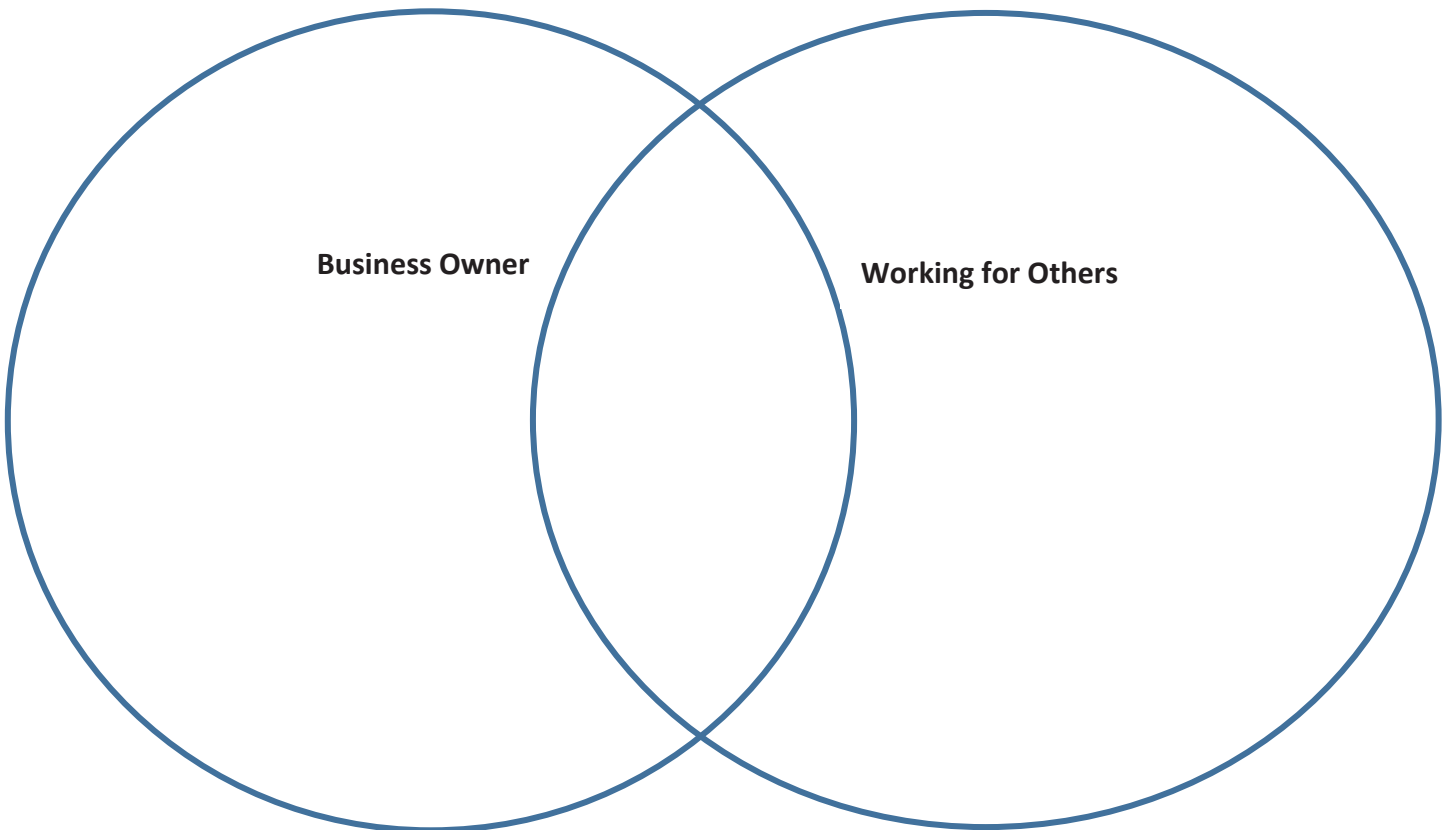
Planning

Work with friends

Managing money

Meetings

Same job responsibility every day



## Marshmallow Test Instructions



There is a famous video clip in which a marshmallow is put on a table in front of a child. Before leaving the room, the adult tells the child if s/he doesn't eat the marshmallow that when the adult returns the child will receive an additional marshmallow. This is a great video to introduce the topic of choices and the decisions we all make every single day. There are several YouTube videos on the Marshmallow Test, such as [https://www.youtube.com/watch?v=QX\\_oy9614HQ](https://www.youtube.com/watch?v=QX_oy9614HQ). If you don't have access to the internet in your school, you can recreate

the scenario in your classroom.

Here are some instructions if you plan to do a live version of this in your classroom:

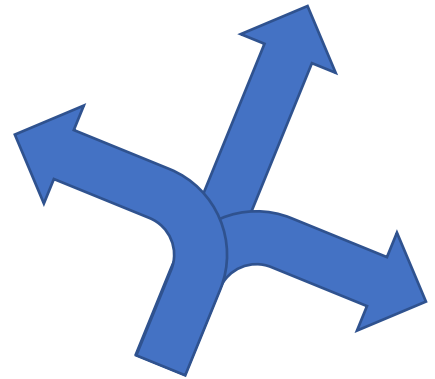
1. When the children come enter the room (either first thing in the morning or after recess), they will find one marshmallow on their desk.
2. Tell them that if they don't eat the marshmallow now, they will receive another one after they work on a few individual activities.
3. See how many children decide to wait to eat the marshmallow knowing that they will receive a second one versus how many eat the first one and can't wait.
4. After distributing a second marshmallow to the children who waited, talk about choices and decisions with the children. Ask them about their choices.



## Money Choices

People have choices about how they use their money. A choice is a decision that people make between two or more alternatives. Every day, people make choices and each choice has a consequence or a result. When we consider all of the alternatives available to us, we make choices that give us more satisfaction. This applies to our financial choices as well.

There are a variety of ways people choose to use their money. One way we use money is spending. Because we all want things, we spend money to get the goods and services we desire. Goods are tangible objects that satisfy people's wants like a bike, a skate board or a book. Services are activities that someone does for someone else like teaching, teeth cleaning or hair-cutting. Services also satisfy people's wants. When we spend our money, we get a good or service we want in exchange for money. When we spend money on something, that money is no longer available to us to use for any other purpose so we should think carefully about our spending choices.



Another way people choose to use their money is by saving it. Savings means not spending today so that you have it available to use in the future. There are many reasons people save money. Sometimes people save to buy something in the future that they do not have enough money to buy today. Some people save money in case of emergencies. People also save money for retirement. Saving can be difficult because it means not getting the things we want now. Saving provides people with more freedom of choices in the future. Sometimes people save money for a purchase in the short-term, like the next few months. Sometimes people save money for something in the long-term, such as next year.

People also sometimes choose to give their money away to help others in need. When people give, they don't spend the money on themselves, but instead, share it to help others. There are many ways people give money to help others in need. For example, people may need help because of a natural disaster that caused damaged to their homes or communities. People also give money to support special groups that they want to help like animal shelters, children's programs or religious organizations. Generous people help others to do things they would not be able to do by themselves.

Consumers have many options available to them. We all make decisions every day. The more thoughtful we are about the decisions we make with our money, the greater our potential for us to be more satisfied with our decisions.



Name \_\_\_\_\_



Think about it...Think about a money choice you have recently made.

1. Did you save or spend? Why?
2. How did you get the money?
3. What alternatives did you consider before deciding to use your money this way?
4. What did you give up in order to use your money this way?
5. After making your money choice, were you satisfied with your decision? Why or why not?



## Spenders & Savers



Do you ever have trouble deciding what to do with your money? Deciding whether to save or spend can be a difficult decision. The more carefully people think about their financial decisions, the more satisfied they usually are with the results.

Have you ever heard the expression, “It’s burning a hole in his pocket”? This expression refers to a person who can’t wait to spend their money and usually spends it just as soon as they get it. They’re so anxious to get the things that they want now that they don’t have the patience to put some money aside and save it for the future. We call these people *spenders*. Spenders have a difficult time saving up for more costly purchases like a television or phone. Also, when a spender faces an unexpected expense, like needing to get a car fixed, many times spenders don’t have enough money to pay for the expense. Spenders make quick impulse spending choices rather than thinking carefully about their purchases.

On the other hand, there are people who never want to spend their money and instead only put it in their bank account. We call these people savers. Savers like to keep all the money they earn and rarely, if ever, want to spend it or share it with others. They only spend their money on emergencies or on things that they truly need. Savers often go without the things they desire.

There is a middle ground, where people budget and allow themselves to spend on some items they want while saving for the future as well.



Think about it...

Is it good to only save? Is it good to only spend? Why or why not?



## Maximum Satisfaction

Below are three scenarios. In each, choose which are the best spending and savings choices.



1)

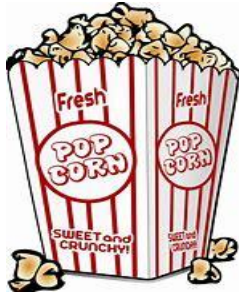


Go to the movies



Stream a movie at home

2)



Buy popcorn at the movies



Put \$10.00 in your piggy bank

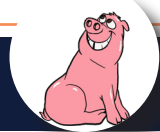
3)



Invite your friends to have ice cream at your home



Go out for ice cream with friends



Name: \_\_\_\_\_

## Spending vs. Savings

After reading about people who are spenders versus savers, answer the following questions:

1. Is it good to only save? Why or why not?
2. Is it only good to only spend? Why or why not?
3. What is your advice when it comes to saving and spending?





## Banks in Our Community

Banks help people in communities by providing tools to help people to manage their money. Sometimes people bring their money to a bank to keep it safe while they save it. When people put money into the bank, we call it a deposit. People deposit money when they are not using it immediately. The bank agrees to hold it until it the owner wants to use it. When people deposit money in the bank, the bank often agrees to pay them interest. Interest is money the bank pays to someone for depositing their money into a bank. Banks are willing to pay interest because the bank uses the money people deposit with them to offer loans to other people looking to borrow money. Banks are able to loan money to people because of the money someone else saved.



Another way banks help people in a community is by providing loans so that people can buy something today and then pay the bank back over time. When people receive a loan from a bank, we call this borrowing. When people borrow money from a bank, they must agree to repay the bank the money they borrowed plus interest. Interest is a fee banks charge to borrowers for the service they provide of loaning money.

Here are a few examples of how banks in your community help people:

- A person wants a new car. They go to the bank to get a loan so they can buy the car they want. They get the car they want today and pay the bank over time for the car.
- A person decides to purchase a home. They have saved some money already but not enough for the house. They borrow the money they need from the bank to pay for the house today. They agree to pay the bank for the house over time.
- A person is going to college. They have a lot of classes to take and have to purchase books for the classes. The bank lets them borrow money today attend college. The person agrees to pay the bank for their education over time.

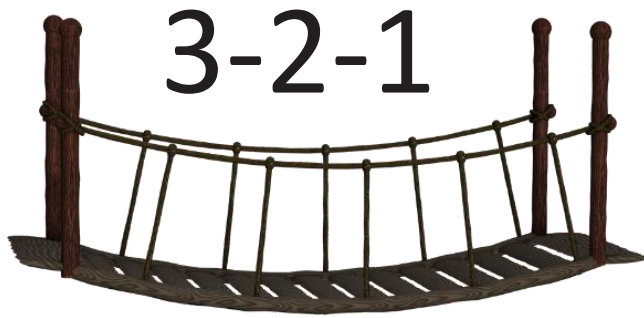


Think about it...

Do you have a bank account? Why or why not?



Name \_\_\_\_\_



## What role do banks play for people in a community?

Share **3** ideas

---

---

---

---

---

---

List **2** questions

---

---

---

---

---

---

Share **1** real-world connection

---

---

---

---

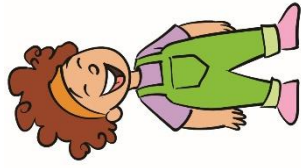
---

---



Name: \_\_\_\_\_

# Bumper Sticker



Pretend you work for a local bank. Create a bumper sticker encouraging people in the community to save money. Use the outline below to help with your bumper sticker.



# Banks in Our Community Skit



Your group is going to create a skit showing how some members of a community save money.



Your group is going to show how some members of a community borrow money.



Your group is going to show how banks provide the service that brings the savers and borrowers together.



## Large Purchases

Consumers make spending decisions every day. Sometimes spending choices are simple like buying milk at the market for your family. Other times, spending decisions can be more difficult. This is especially true when the decision involves making a large or costly purchase, such as buying a car, house, or vacation. We call these spending decisions *large purchases* because they involve spending a large amount of money.



Sometimes people don't have enough money saved up to pay for a large purchase without borrowing money. The decision of whether to borrow money is something most people think carefully about before deciding. This is because when people borrow money, they are charged a fee for the service of borrowing money. This fee is called interest. Because of interest, borrowers end up paying more for the good or service than if they were able to pay for the item without borrowing money.

Consumers should always consider all their options when making a large purchase. For instance:

- Is it something they really need?
- Can they wait to get the good or service until they save up enough money to pay for it without borrowing?
- Are there additional fees or interest that will be added to the cost? What is that amount?



Think about it...

Think about a large purchase your family has made. Was the item a good or service? Did your family wait to get the good or service until they saved up enough money to pay for it? Did they pay for the item with a credit card? Did they borrow money from a bank? Write about your family's large purchase below. Use the back side of the paper, if you need additional space.



## Interest



Do you save your money? Savers can put their money to work for them. It sounds silly to say money can work for people but it's true! When you save your money in a bank, the bank not only keeps your money safe for you, but it puts your money to work for you and helps you to earn even more money. This is because when you deposit, or put your money in a bank, the bank doesn't just hold it for you, it uses your money by loaning it out to other people. Because banks work with many different savers and borrowers every day, savers can get their money out of a bank whenever they want, however, the longer they save, the more interest they will earn by keeping it in the bank.

**Borrowers pay interest.** When a bank makes a loan, it charges the borrower a fee for the service it provides of loaning the money. This fee is called interest. Borrowers must pay back all the money they borrow from a bank plus the additional fee, or interest, charged by the bank. One way banks earn money is by charging borrowers a fee, or interest, for the service they provide of loaning money.

**Savers earn interest.** When people deposit money in a bank, the bank pays interest to the saver for allowing the bank to use their money. Banks offer savers different types of tools or ways they can save their money at the bank. Depending upon how long a saver is willing to promise to keep their money in a bank, banks offer different interest rates, or amounts they will pay you for allowing them to use your money while you save it. Over time, savers earn extra money for themselves just by allowing the bank to use their money while they save it. The earlier you begin saving, the more your money will be able to work for you!

Banks can still earn money even though they pay savers interest because they charge more interest to those who borrow money than they pay out to those who save their money.



### Think about it...

What is interest?

How do savers earn interest?

Why do borrowers pay interest?

Why is saving better than borrowing?

