



Grow: Financial Planning for Life™

Growing Wealth

Name _____ Date _____

Bellwork

The suggested retirement age is 65.

When do you think you will start saving for retirement? Why?

A large, empty gray rectangular area intended for the student to write their response to the bellwork question.

Name _____ Date _____

Activity: Calculating Net Worth

Both Adrien and Tianna are 57 years old and would like to retire within the next 10 years.

Review the listed assets and liabilities for both Adrien and Tianna:

1. Calculate the total assets for each.
2. Calculate the total liabilities for each.
3. Subtract the total liabilities from the total assets for each to get the net worth.

Assets	Adrien	Tianna
Home	\$650,000	\$425,000
Retirement accounts	\$210,000	\$540,000
Savings	\$18,000	\$45,000
Investments	\$25,000	\$140,000
Vehicle	\$30,000	\$22,000
Total Assets	_____	_____

Liabilities	Adrien	Tianna
Mortgage	\$520,000	\$95,000
Home equity loan	\$75,000	
Auto loan	\$24,000	
Credit card debt	\$16,000	\$3,000
Total Liabilities	_____	_____
Net Worth	_____	_____

Name _____ Date _____

Who Is in a Stronger Financial Position?

After calculating net worth, who is in the stronger financial position? Explain your reasoning.

Activity: Investor Calculator Inputs

Use this table to complete the activity at Investor.gov. Complete the compound interest calculator twice by filling in these amounts. Record the total amount that would be in your account after completing each column.

	Short-Term Example	Long-Term Example
Initial investment	\$50	\$50
What you deposit to start your account		
Monthly contributions	\$50	\$50
What you deposit each month		
Length of time in years	10	50
The number of years that you consistently add \$50 every month		
Estimated interest rate	7%	7%
This is the rate of return on your investment. Most Roth IRA's give a return of 7–10% so use 7% as a conservative estimate.		
Interest rate variance range	Leave blank	Leave blank
You may earn a different interest rate each year but for the purpose of this educational exercise, let's stick to 7% and leave this blank.		
Compound Frequency	Annually	Annually
The number of times your interest will be compounded per year (annually = 1 time per year).		
Grand Totals		

How old will you be with this amount of money?

Questions: Investor Calculator Inputs

What did you notice?

What is making the difference between the amounts of money that you earn through investing?

Activity: Graphic Organizer for Teen Retirement Plans Part I

Complete the jigsaw activity in class with your classmates to fill out this graphic organizer. The notes section is for you if you want to jot down anything that will help you explain your reading to other groups.

Name	Retirement Goals	Savings Instruments	Notes
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Javon

Isabel

Eric

Name	Retirement Goals	Savings Instruments	Notes
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Zach

Activity: Graphic Organizer Part II

Why is a Roth IRA a good investment for teenagers?

If you are under 18, what type of retirement account is available to you?

To open up a Roth IRA, how do you need to earn your money?

If you are a teenager without a job, where can you invest your money for retirement?

Why does the article state that with a Roth IRA you are not locking up your money for decades?

What is Jariwala's recommendation for all teens as they begin to earn money?

Meet the Teens Saving for Retirement

By **Mallika Mitra** November 23, 2020 ([Source](#))

JaVon Colbert hides his money from himself — in his car, in his room, in all his bags. Storing those dollars helps the 18-year-old feel safe from the financial struggles he experienced earlier in life.

When Colbert was young, his mother went into debt after buying an apartment to rent out for some extra cash on top of her main job as a factory worker at Toyota. After a few years, though, the rentals at the apartment in Cincinnati, Ohio, dried up. "It hurt," Colbert says of realizing that his family wasn't as fortunate as he thought. "The things I wanted, like toys, they don't fall out of thin air."

Colbert's mother wasn't deterred, and she turned to hobbies like jewelry-making for extra money. But the reality Colbert faced that sometimes things don't go as planned—and more recently his experience being unemployed during the beginning of the pandemic — pushed him to not just think about the day-to-day needs anymore. The Northern Kentucky University freshman also wants to build generational wealth. So he's begun saving for retirement.

Colbert has the kind of foresight that even many adults lack. While 22% of Americans have less than \$5,000 saved for retirement, 15% have absolutely no retirement savings, according to Northwestern Mutual's 2019 Planning & Progress Study.

Teens who funnel money into a savings account are definitely helping out their future selves. Someone who makes the maximum Roth IRA contribution each year from age 15 to 70 would have nearly double the retirement account balance of someone who started at age 25, according to Fidelity Investments.

To be sure, a term like generational wealth might seem outside most teenagers' vocabularies. But a high school class on personal finance, plus worrying about covering expenses for so many years, made one thing clear for Colbert: he doesn't want his money to stop with him. He wants to be able to help out his kids, and his kids' kids. Colbert's goal is to be a millionaire by 33 and retire by 45. It might seem like a lofty one, but he's doing all he can: he opened a Roth Individual Retirement Account (IRA) when he turned 18 and saves everything he can from his paychecks once his expenses, like gas and his phone bill, are covered. Between his job at a health care agency helping seniors run errands and working on and off at Chipotle, he saves about \$50 a week for retirement.

"I'm trying to find the balance of having fun now and working so that way I can have more fun later," he says.

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Helping Peers Along the Way

Isabel Hoppmann plans to retire at 75 and live until she's 100 years old. She's got some time to make it happen — she's only 17. The San Francisco teen even started her own company to help with her savings goals: SWEET (Successful Women Entrepreneurs Everywhere Today), a platform to help other teenage girls start their own businesses through interviews with women entrepreneurs. Hoppmann's father is a serial entrepreneur, and he helped her create an initial plan for her business.

"I remember how excited I was when I first owned a stock — I felt like a real adult," says Hoppmann, who invested in Disney with gift money from her grandmother. "I and other girls don't have to wait until we're older to start saving for retirement. We should really be thinking about it right now."

The pandemic has made Hoppmann put her foot to the gas pedal. Before this year, she didn't understand what impact an economic meltdown really had on people's lives (after all, she was only three years old during the Great Recession). But seeing consequences of the current recession has made her want to save: "We never know what's going to happen, as we've seen."

Hoppmann saved 10% of her earnings every month from the job she had last year at her neighborhood corner store making sandwiches. She's hoping to start making some money with SWEET, and planning to allocate \$3,000 per year towards retirement based off of a \$6,000-a-year income.

"For a teenager, retirement might seem a world away when we're just trying to study for our next biology test," Hoppmann says. But if teens start saving now, they'll be pros by even just their twenties, she adds.

Meet the Teens Saving for Retirement

By **Mallika Mitra** November 23, 2020 ([Source](#))

Protecting His Future Family

Eric Zhao, 15, is saving to have the security his parents didn't have. His mother and father immigrated from China to the U.S. before Eric was born with very few possessions and very little money, but big dreams. While they were eventually able to open their own acupuncture clinics, Zhao has seen firsthand how life can be scarier without a strong financial foundation. When he was 9 years old, he was hit by a car, suffered a severe brain bleed and rushed to the hospital. His family didn't have health insurance at the time so the total hospital bill was in the six figures. If it weren't the Affordable Care Act, they would have gone bankrupt, he says. Having health insurance, he adds, is part of a good financial plan — something he wants to be sure to have in place for the years to come.

“That is a big part of why I want to start saving now, so I won't have to worry about feeding myself or feeding my family in the future,” says Zhao, who's based in Albuquerque, N.M.

His parents and sister — who graduated from college with \$30,000 in student loans and doesn't want her brother to do the same — have helped him create his own financial plan. He saves 50% of everything he earns, mostly from helping out at his parents' acupuncture clinics. Right now he has just about \$1,500 in a credit union savings account, but he has big plans: stash away \$10,000, then open a retirement account or invest for retirement via stocks and bonds. That \$10,000 is a moving target he'll revisit on a yearly basis, but the idea is that it's enough money to meaningfully diversify across investment and savings vehicles.

Meet the Teens Saving for Retirement

By **Mallika Mitra** November 23, 2020 ([Source](#))

Learning the Lingo

Zach Sprung spends his time like any typical teenager might. He plays hockey, hangs out with friends and is balancing a senior year that's nowadays both virtual and in the classroom. He's also saving for retirement.

The 17-year-old started investing \$3,000 a year into a Roth IRA when he was 14, and after a total of three contributions the value is just above \$11,000.

"I'm kind of sitting back and letting the compound interest do the work for me," Sprung says.

Sprung does have a bit of a leg up understanding the power of compound interest. His father is a certified financial planner (it's probably easier to see the benefits of saving when you share the dinner table with a money expert). As soon as Sprung was old enough to get his working papers, he helped out at his dad's company over the summers and refereed hockey games to make some money. His father wanted him to see the importance of saving for the future, so the two made a deal: for every dollar he added to his Roth IRA, his dad would match with spending money.

Meet the Teens Saving for Retirement

By **Mallika Mitra** November 23, 2020 ([Source](#))

Tips from the Teens

These teens may be ahead of the game, but there are several options for those who want to join them. The best retirement saving vehicle for a teenager is a Roth IRA, says Anjali Jariwala, certified financial planner and founder of FIT Advisors in Redondo Beach, Calif. Unlike with a traditional IRA, you have to pay taxes on the money that contribute to a Roth IRA, but then it grows tax-free and comes out tax-free at retirement. And early in your career is a prime time to use a Roth IRA, as you can only contribute to it while you make under a certain amount (\$139,000 or less in 2020). What's more, it's good to get your taxes out of the way when your income is less than it will likely be in the future, and your tax bracket is lower as a result.

"The younger you are before you are hitting those income limits — the more you can get into the Roth — the better it is," Jariwala says. "You just have a much longer period of time for that money to grow."

Children under 18 won't be able to open one without an adult's help. But there are custodial accounts, where the money belongs to the child but an adult helps manage it. A young person will need to have earned income to contribute — that can be via a job that comes with a W-2, or 1099 (like babysitting or lawn mowing, if those earnings are reported to the IRS).

For teens without a source of earned income — maybe they want to save their gift money — Jariwala recommends investing in the stock market (but nothing too risky!) Index funds, for example, will allow young people to see their money grow overtime while keeping it diversified. These funds passively track the broad market. If a young adult is not yet 18 (or 21 in some states), they won't be able to open their own brokerage account, but together they can open a custodial account with a trusted adult. In this case, the money will belong to them, but the adult will manage their account on their behalf like buying or selling securities. Another option, as some of the teens we've highlighted here have done, is to keep money in a savings account until they have earned income or are 18.

Of course, concert tickets and college tuition may take priority over saving for retirement right now. And it can be hard to determine how much a teenager should save for retirement now, since their future (career, expenses, etc.) is so uncertain. But with a Roth IRA, you can withdraw the money you've contributed at any time without a tax penalty, so you're not locking up your money for decades.

Jariwala recommends that young people save as much as they can — whether that's a bit from each paycheck, or holiday gift money. Their 65-year-old selves will thank them.

Extension Activity

Use the question guide to research information about Social Security benefits and retirement. Then, answer the questions that follow.

Social Security Benefits

Social Security Benefits are one available source of retirement income. Go to the [Social Security Administration benefit calculator](#) to fill out the table. Enter a birthdate of 1/1/1960 and assume current year earnings of \$50,000. Leave the rest blank and select today's dollars, then submit the request.

Questions: Extension Activity

What are the estimated retirement benefit amounts for each age listed in the table?

What is the relationship between retirement age and the amount of money received through Social Security benefits?

Why do you think the amount of money from Social Security benefits depends on the age at which you retire?

How might the difference in Social Security benefits by age affect when you decide to retire?

Do you think you could retire and live off Social Security benefits alone? Why or why not?

Name _____ Date _____

Exit Ticket

What is the benefit of compound interest in investments?

How confident are you in starting a retirement account this year?