

Assessment: Saving

Select appropriate items to assess your students' understanding of the concepts in this theme.

WORD BANK

Read the following:

Sally and Carrie are 12 years old. They used to be neighbors, and they still are good friends. Sally lives in Chicago and Carrie lives in Denver, so they don't see each other very often. Sally is saving money to buy a train ticket for a visit to Denver next month. She mows lawns and rakes leaves to earn income. She spends some of her money and saves the rest. To have enough money to buy the ticket, she recently had to spend a little less so that she could save a little more. She gave up going to the movies for one month. She packed her lunch for school each day instead of buying her lunch.

Use the following word bank to complete the sentences below. (Not all words are used; answers in parentheses.)

income, short-term, long-term, opportunity cost, trade-off

1. Sally had a _____ goal. (**short-term**)
2. By spending a little less in order to save a little more, Sally is making a _____. (**trade-off**)
3. Because going to movies was the most-valued thing that Sally gave up in order to save for the train ticket, movies are Sally's _____. (**opportunity cost; some students may also point out that this refers to a trade-off**)

MULTIPLE-CHOICE QUESTIONS

1. In the fable about the grasshopper and the ant, the grasshopper was spending all his money now, in the present. When people spend all their money now, they:

- a. give up the chance to buy more goods and services in the future.
- b. give up the chance to buy goods and services now.
- c. have more money left to spend in the future.
- d. are saving their money.

Answer: a

2. Miss Smith told her students that if they turned in their homework every day for a week, the class could have a special treat on Friday afternoon. The special treat is _____.

- a. interest
- b. a service
- c. a trade-off
- d. an incentive

Answer: d

3. Susie can either play soccer or basketball during recess. If Susie decides to play basketball, soccer is her _____.

- a. interest
- b. incentive
- c. opportunity cost
- d. choice

Answer: c

4. Andy saves his money in a savings account at the bank. Andy is really happy because the bank pays him to save. The money that Andy earns from the bank is _____.

- a. interest
- b. opportunity cost
- c. a good
- d. a trade-off

Answer: a

WORD SCRAMBLE

Read the definitions below (1-4), and locate your answers in the word scrambles. (Answers in parentheses.)

fsfoedart, merttrohs, gnisvas, otscttuniyorppo

- 1. Income not spent to buy goods and services now. (**savings**)
- 2. The next-best choice that is given up when a decision is made. (**opportunity cost**)
- 3. A goal that can be reached quickly. (**short term**)
- 4. Giving up some of one thing in order to have something else. (**tradeoffs**)

SHORT-ANSWER QUESTIONS

Read the three paragraphs below and follow the directions after each paragraph.

1. Lisa has been saving money to buy new top-of-the-line inline skates, knee and elbow pads, and a helmet. Lisa’s friend Charisse has invited Lisa to go on vacation with her family. Charisse’s family is traveling by plane to the Grand Canyon. They plan to stay in a cabin and cook their meals there. Lisa is very excited about the trip and really wants to go. However, she must pay for her airfare. The price of the equipment she wants to buy is the same as the airfare.

Draw two pictures that illustrate Lisa’s alternatives. Decide which you think Lisa should choose.

Draw a circle around Lisa’s choice; then draw an X through Lisa’s opportunity cost. Explain your reasons for this decision.

2. LaShauna baby-sits for a neighbor every Saturday afternoon. The neighbor pays LaShauna \$10 for each Saturday. LaShauna puts \$3 in her piggy bank each week. Every two weeks, she has enough money in her piggy bank to go to a movie. LaShauna also puts \$2 in her bank account each week. In three weeks, LaShauna will have enough money in the bank to buy a new video game. LaShauna uses the \$5 she has left each week for snacks and items from the school store.

- a. Write a declarative sentence showing the amount of income LaShauna earns. (**LaShauna earns \$10 per week.**)
- b. Write an interrogatory sentence about one of LaShauna’s short-term goals. (**Why does LaShauna go to a movie every two weeks?**)
- c. Write an exclamatory sentence about the total amount LaShauna saves each week. (**LaShauna saves \$5 each week!**)

3. Colin earns \$15 each week doing chores around the house and walking the neighbor’s dog. He really wants to go to the Battle of the Bands concert. Tickets are \$35. The concert is in three months. Right now, Colin uses his income to buy lunches at school, to buy model airplanes, to buy snacks, to rent movies, and sometimes to go to the movies with his friends. Colin’s mom said, “Colin, you should save some of the money you earn if you want to buy a ticket to the concert.” “But, MOM!” Colin replied, “That isn’t fair. I just don’t have enough money as it is. Please, please buy the ticket for me.” After talking for a while, Colin and his mom agreed that he should save \$20 to pay for the ticket and his mom would “chip in” the remaining \$15. Colin doesn’t know what to do. He isn’t even sure he knows what saving means. You are his friend, and he asks you to help him.

Write a savings plan for Colin. In the plan, explain what saving is. Include Colin’s goal, and explain whether it is a short-term or a long-term goal. Tell Colin about some trade-offs he can

make to reach his goal. Tell Colin how much he must save each week to reach his goal in twelve weeks.

(Saving is income not spent now. Colin, you have a short-term savings goal. That goal is to save \$20 to buy a ticket for the concert. You have twelve weeks to reach your goal. This means you will have to save \$1.67 each week. To save this amount, you will have to spend a little less on other things each week. This is called a trade-off. You could pack your lunch so that you don't spend as much buying lunches. Instead of going to the movies with your friends or renting movies, you could watch movies on television. You could bring snacks from home instead of buying snacks.)

EXTENDED-RESPONSE QUESTIONS

1. Write a fable illustrating the use of opportunity cost and trade-offs in making a good decision about a personal finance issue or problem. Be sure that your fable ends with a moral that provides good advice for others in similar decision-making situations.
2. Your friend Harry keeps the money he doesn't spend in a shoe box under his bed. He likes to have it nearby so he can count it. However, he worries that someone might find it and take the money or accidentally throw the shoe box away. Write a three-paragraph persuasive letter to Harry. Explain the advantages of using a savings account. Use information about incentives and interest. Use correct grammar, capitalization, and punctuation as well as correct friendly-letter format.

(Letters should include definitions of interest as well as advantages of keeping savings in a bank—e.g., earning interest, savings are safe, more difficult to spend it on something on the spur of the moment, and less likely to lose it. One possible disadvantage: keeping the money in a bank may make it more difficult to get the money when you need to have it.)