



# SAVING AND INVESTING

## TRAINING TECHNIQUES

### MODULE DESCRIPTION

Saving and Investing is a 60-90 minute program designed to develop knowledge and skills that will enable participants to save and invest effectively to achieve their financial goals. Due to the complexity of the subject matter and a requirement for the presenter to possess sufficient background knowledge to field questions, this module provides more detail than can normally be presented in a 60 minute program.

The instructor should have a listing of current rates of return and yields on all asset classes mentioned. Some updates are required to provide the most current information.

### LEARNING OBJECTIVES

At the conclusion of this program, participants will be able to:

- Demonstrate how compound interest and time work to the benefit of the small investor.
- Describe the difference between saving and investing.
- Identify the elements of a sound savings plan.
- Explain the difference between equity and fixed-income investments.
- Distinguish among terms commonly used when referring to “the market.”
- Discuss four saving and investing “techniques.”
- Identify resources for assistance in gaining investment knowledge.

### REFERENCES

- SECNAVINST 1754.1, Family Service Center Program.
- OPNAV Instruction 1740.5B, Personal Financial Management Education, Training and Counseling Program.

- Command Financial Specialist Training Manual, NAVPERS 15608D (or later).
- Chilton, D. 1997. *The Wealthy Barber*. Rocklin: Prima Publishing.
- Downes, J. and J.E. Goodman. 1998. *Dictionary of Finance and Investment Terms*. Hauppauge: Barron's Education Series, Inc.
- Edelman, R. 2003. *The Truth About Money*. Washington DC: Georgetown University Press.
- Garman, E.T. and R.E. Forgue. 2006. *Personal Finance, 8th Ed.* Boston, MA: Houghton Mifflin Company.
- Goodman, J.E. 2001. *Everyone's Money Book*. Chicago: Dearborn Trade.
- Pike, B. and C. Busse. 1995. *101 Games For Trainers*. Minneapolis, MN: Lakewood Books.
- Quinn, J.B. 2006. *Making the Most of Your Money*. New York: Simon and Schuster.
- Robinson, M. 2000. *Investing Basics*. New York: Dorling Kindersley Publishing.
- Stanley, T.J. and W.D. Danko. 1996. *The Millionaire Next Door*. Atlanta: Longstreet Press.
- Greenhut, J.G. 2006. Mathematical Illusion: Why Dollar-Cost Averaging Does Not Work. *Journal of Financial Planning*, October 2006.
- [www.bankrate.com](http://www.bankrate.com) (Current Rate Information)
- [www.bls.gov](http://www.bls.gov) (Bureau of Labor and Statistics)
- [www.defenselink.mil/militarypay/](http://www.defenselink.mil/militarypay/) (OSD Military Compensation)
- [www.lifelines.navy.mil](http://www.lifelines.navy.mil) (Lifelines Services Network)
- [www.militaryonesource.com](http://www.militaryonesource.com) (Military OneSource Network)
- [www.savingsbonds.gov](http://www.savingsbonds.gov) (TreasuryDirect and Saving Bond Information)
- [www.militarysaves.org](http://www.militarysaves.org) (Military Saves Campaign)
- [www.saveandinvest.org](http://www.saveandinvest.org) (FINRA Investor Education Website)
- [www.nko.navy.mil](http://www.nko.navy.mil) (Navy Knowledge On-line)

- [www.ffsc.navy.mil](http://www.ffsc.navy.mil) (Fleet and Family Support Programs)
- [www.npc.navy.mil/careerinfo/staynavytools/](http://www.npc.navy.mil/careerinfo/staynavytools/) (Stay Navy Website)

## ■ MODULE PREPARATION

### **Handouts:**

- The Financial Planning Pyramid
- Compound Interest and Time: Rate of Return = 10%
- Has Inflation Affected You?
- What is ‘The Market’?
- Thinking About Investing
- Investing Resources
- Which Tool Is It?

### **Materials (varies depending on activities chosen):**

- Whiteboard, Chalkboard, or Newsprint Paper
- Markers or Chalk
- Pens or Pencils, blank paper for each participant
- Optional Excel file-Compound Interest and Time

## ■ SUMMARY OF OPTIONAL PARTICIPANT ACTIVITIES

- **Has Inflation Affected You:** A short activity showing the impact of inflation on the cost of goods sold.
- **1-Minute Review:** A short review of content offering the instructor the opportunity to get the class to think about which saving or investing option they are the most comfortable with, and to point out that we all have the opportunity to create an individualized portfolio that balances our tolerance for risk and need for reward.
- **What is “The Market” Match Game:** Several optional presentation methods are described to introduce participants to key terms used in the financial marketplace.

- **Bump:** An energizer that summarizes key points at the end of a training session.
- **Which Tool Is It?:** A matching game that reviews all the savings and investment tools covered during the program. Appropriate for use in the “Short Program.”

## ■ CURRICULUM OUTLINE

1. Welcome and Introduction (5 minutes)
  - a. Starting Early
2. The Effects of Compound Interest and Time (5 minutes)
3. The Financial Planning Pyramid (5 minutes)
  - a. The Savings Level
4. The Tools of Saving (10 minutes)
  - a. Safety, Liquidity, Yield
  - b. Regular Savings Accounts
  - c. Certificates of Deposit
  - d. Money Market Accounts
  - e. U.S. Savings Bonds
5. Saving vs. Investing (10 minutes)
  - a. Time Frame
  - b. Risk
  - c. Inflation
    - i. Optional Participant Activity: Has Inflation Affected You?
  - d. Taxes
  - e. Compounding
6. The Tools of Investing (20 minutes)
  - a. Asset Classes
  - b. Fixed-Income: Bonds

- c. Equity: Stocks
  - d. The Lessons
  - e. Mutual Funds
  - f. Optional Participant Activity: 1-Minute Review
  - g. What is the Market? (10 Minutes)
    - (1) Optional Participant Activity: What is the Market
  - h. Putting it all together: The TSP Funds
7. The Techniques of Saving and Investing (5 Minutes)
- a. Pay Yourself First
  - b. The Military Saves Campaign
  - c. Maximize Any Tax-Deferred Investment Opportunities
  - d. Make Regular, Steady Investments
8. Summary and Conclusion (10-30 Minutes)
- a. Take Action
  - b. Optional Participant Activity: Bump
  - c. Optional Participant Activity: Investor Jackpot Review

## ■ INSTRUCTOR TECHNIQUES BY SLIDE NUMBER

1

Introduce self and provide your name, title, and any relevant information about yourself.

2

The pie charts appear on a click.

3-6

Distribute the handout “Compound Interest and Time: Rate of Return = 10 Percent” and discuss the content. Note that Scenario D is based on receiving the \$30,000 redux bonus at the 15-year point and investing it under the TSP installment plan. For further examples you can use the excel spreadsheet for this handout to show the differences in time and rate of return. Prior to presenting the class, open the spreadsheet included with this module and practice entering numbers for different scenarios. Note that you can change the percentage rate on the right of the worksheet, as well as the annual amount invested. (\$3,000/year = \$250/month, or \$125/pay period.)

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Starting with this slide, be sure to have current rates for all tools discussed. These can be found at [www.bankrate.com](http://www.bankrate.com) and [www.savings-bonds.gov](http://www.savings-bonds.gov). Current Consumer Price Index/rate of inflation can be found at [www.bls.gov](http://www.bls.gov). Other current market data such as S&P 500, NASDAQ and DOW indexes can be found at any financial website such as [www.morningstar.com](http://www.morningstar.com) or the financial section of your local newspaper. U.S.A. Today also has a daily summary of the financial markets that is quite useful. There are spaces in the content for you to write in the current rates.

8

### **Optional Participant Activity: Has Inflation Affected You?**

This quick activity can be used to reinforce the impact of inflation and to provide a brief energizer for participants.

Time: Five minutes

Preparation: Distribute the handout, “Has Inflation Affected You?”

Procedure: Ask participants to fill in the blank spaces for the prices of products in 1975. Allow three minutes for participants to complete the activity then poll the class for response to each item. Provide the correct answers.

Answers: (Current for 2007)

Stamp \$.10

Corn Flakes \$.39

Coffee \$2.79

Light Bulbs \$.43

Mustang \$3,261

Oil Change \$4.88

Aspirin \$.69

Pork Chops \$.29

Discussion: This exercise shows the impact of inflation on items we use in everyday life. Why does it matter? It matters because the cost of living rises every year. The purpose of investing is to get your money to increase in value even when the effect of inflation is taken into account. That means that if you do not earn at least the rate of inflation on your investment, then you are losing money every year.

15

The “spent” opportunity cost growth grows on a click.

21

Bullet points appear on a click.

26

### **Optional Participant Activity: The One~Minute Review**

A brief review of information covered.

Time: Five minutes

Preparation: Pens and Pencils, blank paper and newsprint

Procedure: Ask the class to write down as many of the tools of saving and investing as possible in one minute. Then ask for a volunteer to call out one

tool from their list. Write their input on the board or newsprint and ask the volunteer if this is a tool of saving or a tool of investing, note this on the paper (probable answers are below). Continue around the room until you have everyone's input. Ask the class if they are comfortable with their understanding of each tool. Invite them to visit their CFS or FFSC for more information or details about specific items.

Answers should include:

- |   |           |
|---|-----------|
| 1. Savings Account  | Saving    |
| 2. Money Market Account   | Saving    |
| 3. Certificate of Deposit   | Saving    |
| 4. Savings Bonds  | Saving    |
| 5. Stocks   | Investing |
| 6. Bonds  | Investing |
| 7. Mutual Funds   | Investing |
| 8. Hard Assets –<br>Precious Metals,<br>Real Estate, Collectibles | Investing |

To close the review, ask the class, by show of hands, that if they could only choose one item, which tool would they choose? This could be a difficult choice since some will opt for safety and some for higher returns. Point out that we are fortunate in our investment environment to be able to put together many different tools and create a portfolio that helps us to accomplish our goals and still allows us to sleep at night.



### **Optional Participant Activity: What is the Market?**

Having used the term “market” often in the presentation, this activity can be used to test their knowledge of what the “market” is specifically. This activity can be done in several ways. If using PowerPoint, practice using the software prior to the presentation.

Time: 10 minutes

Preparation: Handout “What is the Market?” or Powerpoint game “What is the Market?”

Procedure: Choose your method of presentation.

PowerPoint Method: See “Introduction to the Modules: PowerPoint Games”

Handout Method: Provide the handout, “What is the Market”, to participants. Divide them into groups or allow them to work alone to match the proper term to its definition. Call out the names and allow the class participants to provide the number of the correct definition. Provide further detail on the term as required.

Handout Answers:

- The Dow- # 3
- The NASDAQ- #8
- The S&P 500 - #1
- The Wilshire 4500 - #7
- The Wilshire 5000 - #5
- The Lehman Brothers U.S. Aggregate Bond - #6
- The NYSE - #4
- The AMEX - #10
- The Nikkei - #2
- The EAFE - #9

### **Concluding Activity**

#### **Optional Participant Activity: Bump**

Time: Five minutes

Preparation: Newsprint paper and markers

Procedure: Divide the class into groups of four to five. Give each team a piece of newsprint paper and markers. Tell the class that the object is to list one or two word statements that summarize key training points (example: start now, tax-deferred). List as many words as possible in one minute. Everyone gets a marker in order to write on their team’s sheet as quickly as possible. At the end of one minute all writing stops. Ask the teams, one by one, to state the words on their list. Teams then “bump” or cross out from

their lists any words that appear on any other team's sheet. The team with the longest list of unduplicated key words wins. Congratulate the class on their effort and creativity.

## ■ SHORT PROGRAM

Description: A shorter version of Saving & Investing covering a few of the topics. Useful as a marketing pitch or when time is very limited. Start by introducing self and the topic. Use slides 2-7 to discuss the effects of compound interest and time, and to motivate participants to listen, and to save and invest. Use slides 8 and 9 to discuss the Financial Planning Pyramid, how it lays out the steps to take to build wealth, and what needs to be done at the management and savings levels. Do not discuss the tools of savings yet. Go to slide 11 and discuss the difference between saving and investing. Finally, distribute the "Tools of Saving and Investing" and have the group complete it either individually or in groups. Explain that they may not know the answers, but to answer the ones they think they know. After everyone is finished, go through the answers, explaining each of the tools as time permits. End by inviting participants to the full Saving and Investing program, and to visit their Command Financial Specialist for guidance on starting an investment program.

Time: 30 Minutes

Preparation:

- PowerPoint slides as indicated in outline

Handouts:

- The Financial Planning Pyramid
- Compound Interest and Time: Rate of Return = 10%
- Which Tool Is It?
- Investing Resources

Topics:

1. Welcome and Introduction, Slide 1
2. Effect of Compound Interest and Time, Slides 2 through 7
3. The Financial Planning Pyramid, Slides 8 and 9
4. Saving vs. Investing, Slide 11
5. Tools of Saving and Investing Activity, Handout
6. Invitation to other classes and to consult CFS