



Financial Literacy – Can you afford to retire?

Grade Level: Grades 9 to 12

Time Allotment: One 45-minute class period

Subject Matter:

- Budgeting and saving
- Spending and investing
- Retirement

Learning Objectives

Students will be able to:

- Explain what a brokerage account is and how you can open one
- Identify different types of retirement accounts and their characteristics

Investing

- Give examples of how employer matching contributions to employer-sponsored retirement plans and vesting schedules affect participating employees
- Compare the advantages of taxable, tax-deferred and tax-advantaged investments for new savers, including Roth IRAs and employer-sponsored retirement vehicles

Distribute to Students

1. Retirement Student Activity Packet
2. COMPARE: Types of Retirement Accounts

LESSON PLAN

DISCUSSION PROMPTS – 5 minutes

Discussion Prompts

Discuss these questions with your classmates or with a partner:

What do you think of when you hear the terms “401(k)” and “pension”? What do you know about these two things?

ARTICLE – 20 minutes

What is a Brokerage Account and How Do I Open One?

Publisher: NerdWallet

Materials:

- Article: <https://www.nerdwallet.com/blog/investing/what-is-how-to-open-brokerage-account/>
- Retirement Student Activity Workbook

Read article individually and then discuss the workbook as a class.



COMPARE: Types of Retirement Accounts – 20 minutes

Materials: Compare Types of Retirement Account Worksheet

The previous article mentioned that retirement accounts are one of the brokerage accounts you can open to invest. In this activity, you'll take a closer look at 4 of the most common types of retirement accounts. Follow the directions on the worksheet to complete the activity.

EXTEND THE LEARNING

FAST FACTS...

Americans with retirement savings have an average of only \$84,821 saved not nearly enough to retire. (CNBC, 2018)

48% of Americans over 55 have no retirement savings. (Bloomberg, 2019)

Around 10,000 Americans retire daily. (Yahoo Finance 2019)

Retirement Student Activity Workbook

In this lesson, you will learn to:

- Explain what a brokerage account is and how you can open one
- Identify different types of retirement accounts and their characteristics

Resources

Discuss these questions with your classmates.

What do you think of when you hear the terms “401(k)” and “pension”? What do you know about these two things?

What is a Brokerage Account and How Do I Open One?

In your own words, explain what a brokerage account allows you to do.

Why might a brokerage firm charge a commission?

How Does a Brokerage Account Work?

What do you need to do to set up a brokerage account?



Which Investment Account is Right for You?

Of the 3 types of accounts listed, which do you think you would open as a teenager? Why?

How can someone under 18 open their own brokerage account?

Describe what a brokerage account is and what it allows you to do.

Jane wants to open a brokerage account. What is one thing she should consider when trying to decide which type of account to open?

What is one difference between a Traditional IRA and a Roth IRA?



COMPARE: Types of Retirement Accounts

After you've set your retirement goal, the second step in planning for retirement is to open a retirement account, of which there are a few types. As with any financial decision, before you sign up, you'd want to read the specific fine print for your account, as the resources below give general information, just to get you started.

Part I - Distinguishing features of retirement accounts

In the chart below, the first column contains a statement. Mark an X in each type of retirement account for which the statement is true. If the statement doesn't apply to that type of retirement account, leave the box empty. To help you complete the chart, read and watch these videos on types of retirement accounts:

- PENSIONS
- CHOOSING AN ACCOUNT TYPE OVERVIEW
- 401(k)
- Traditional IRA
- Roth IRA

Factor	Pension	Traditional 401(k)	Traditional IRA	Roth IRA
Eligibility				
Nothing about the account changes, even if you switch jobs				
Eligibility may be affected by how long you work with a given company				
All employers offer this type of account				
Taxes				
The money you put into this retirement account has already had taxes taken out of it				
You pay taxes when you eventually take the money out				
Contributions				
Your company may contribute funds toward your retirement				
Any contributions you make come directly from your paycheck				
You make contributions from your bank account				
Factor	Pension	Traditional 401(k)	Traditional IRA	Roth IRA
Investment Options				



Your employer has <u>some say</u> in how the money is invested				
You have <u>some choice</u> in how your contributions are invested				
Receiving Your Benefits				
Your total retirement benefit will depend on the risk level of the investments you chose				
You're promised a fixed benefit each month, which may increase with inflation				

Part II - A few more questions

Answer the following questions, based on what you've learned.

1. Your friend Jenny says a Roth IRA has the best tax advantages, because you pay taxes now and won't have to pay them when you take the money out in retirement. Why might she be right?
2. Your friend Jomaine says a Traditional IRA or 401(k) has the best tax advantages because you don't pay any taxes now, and you can wait until you retire to pay taxes. Why might he be right?
3. Your friend Sonia says pensions and 401(k)s are the best retirement options because they offer you "free money." What does she mean by this? Does she have a good point? Why or why not?
4. If your friend Raheem asks you, "What type of account should I use to save for retirement," what would you tell him?