

Chapter 15 Make Sense of It! Planning Form



Savings Plan

Read the following:

Sam is trying to map out a savings plan. He is 16 years old and has \$1,750 in his bank account. He knows that college is 18 months away, so he wants to have at least \$4,000 in his account by the time he leaves. He does not want to touch his savings account for the upcoming prom, so he needs to save \$350 by four months from now to cover that expense. Sam takes home an average of \$60 per week from his weekend job during the nine months of the school year and \$350 per week during the 11 weeks of summer. He uses about \$25 per week for spending money. Sam has a goal of owning a home by the time he is 30 years old. He figures he will need at least \$40,000 to put down on a house. He realizes that once he earns his degree and starts earning a full time salary, he will be able to save more.

Instructions

1. Complete the form, identifying the amounts that Sam will need to save on a weekly basis to meet his short-term goals.
2. Calculate an investing plan for his long-term goal of home ownership by age 30. Assume that he begins saving for this goal at age 22 (after college), which gives him eight years to save.

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Saving			
Short-term goals:	Amount per week	Time frame	Strategy
1. Save \$350 for Prom		4 months	
2. Save enough to increase bank account to \$4,000 by the time I leave for college		18 months	

Investing
<p>Let's look at an example to help you get started. Recall the Time Value of Money calculations you did in Chapter 10. Suppose, at age 22, Sam puts \$3,000 into a special investment account for his house earning 6%. If he increases his annual savings by 3% each year, assuming his income rises each year, how much will he have at the end of 8 years?</p> <p>(Use a free online calculator for Future Value of an Annuity, such as calculatorsoup.com or bankrate.com)</p> <div style="border: 1px solid black; height: 20px; width: 100%;"></div>

Now you come up with a plan for Sam			
Long-term goals:	Amount per year	Time frame	Strategy
Save \$40,000 for down payment on a house		8 years	