

6

The Time Value of Patience

LESSON 6 · SAVING AND COMPOUND INTEREST

I CAN

explain why starting to save early beats saving more later

SAI AND MACON

Sai saves **\$50 a month from age 15 to 25**, then stops and never adds another dollar. Macon saves **\$50 a month from age 25 to 65**. Both earn 8% a year.

SAI PUTS IN	MACON PUTS IN	WHO HAS MORE AT 65?
\$6,000	\$24,000	?

Predict first, then calculate. Write your prediction here before doing any math:

Sai's balance at 65	
Macon's balance at 65	
Difference	
Who contributed less and ended with more?	

MILO

"Sai put in a quarter of what Macon did and finished ahead. The extra was not money. It was time."

Answers and talking points

What a good answer looks like, and one question to ask when the pencils go down.

6–8 The numbers

Sai ends with about \$222,000. Macon ends with about \$175,000. Sai is ahead by roughly **\$47,000** having contributed **\$6,000 against Macon's \$24,000** — a quarter of the money, and more at the end. Sai's ten years of saving had forty years to grow; Macon's forty years of saving never got that time.

Figures assume 8% a year compounded monthly, which is how a monthly deposit normally works. A calculator set to annual compounding gives about \$189,000 and \$155,000 — smaller numbers, same answer, same gap in Sai's favor.

Ask: "How much would Macon have to put in each month to catch up?" About \$64, not \$50 — and he still never gets the ten years back.

6–8 Make them predict first

The sheet asks for a prediction before any math, and that line is the most valuable thing on the page. **Most students guess Macon**, because he put in four times as much. Finding out they were wrong is what makes compound interest stick; being told the answer does not.

Ask: "What was your prediction, and what made you think it?" The reasoning behind a wrong guess is usually 'more money in means more money out' — true, but weaker than time.

Want the rest of the unit?

This page is one activity, unchanged, from **Unit 3.1 — How Money Systems Work**, a Financial Foundations™ unit of 10 to 12 lessons with teacher scripts, family letters and a unit checkpoint. For a free five-day money game your students can play in a browser, try **The \$100 Week™**. Everything is at **wealthwisekids.org**.