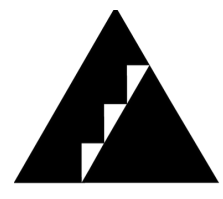


WEEKLY MIDDLE SCHOOL LESSON

#KEEPLARNING



Junior
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Week Four: Saving for Retirement

Overview: This lesson is designed to introduce students to the idea of saving for retirement now. It is never too early to start!

Preparation: Review the activity and session materials. Make sure your students have all the needed materials to complete the lesson.

Recommended Time: 30-45 mins

Materials: Computer/Tablet with Internet

Printer

Calculator

Writing Utensil

1) Presentation: Begin the lesson by asking your students, "When would you like to retire?" Let them know that currently, the retirement age is 66 and 2 months and will gradually rise to 67 years old. Sadly, many Americans are not prepared for retirement. More than one in five (21 percent) of Americans do not save any of their annual income, and those who do save often fail to set aside enough. Experts generally recommend earmarking 10 to 20 percent of your income just for retirement savings. Let your students know that, if they start early, they will set themselves up for success, even if it is small amounts when they are young. Experts say if people start saving at age 23, for instance, they only have to save about \$14 a day to be a millionaire by age 67. (That's assuming a 6 percent average annual investment return. If they start at age 35, on the other hand, you'd have to set aside \$30 a day to reach seven figures by age 67 - power of Compound Interest.)



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Middle School
Week Four

Tell your students, for teens who are working or plan to get a summer job when they are old enough, they can take their earnings and put it in a Roth IRA (Individual Retirement Account). Let's say that a 14-year old earns \$2,000 in a summer and puts it all into a Roth IRA. In 50 years (assuming they don't touch that money), their \$2,000 can grow to about \$65,000! Not bad for a summer job. In 2019, students were allowed to invest earnings up to \$6,000 in a Roth IRA (The funds must be earnings; allowances and birthday money do not count). Considering how pensions and retirement programs supported by employers and the government are shrinking, teens and young adults can and should set up their own retirement program while they're still living at home.

Rather than only talking to students about this, encourage your students (when it is safe) to go to a bank, broker or credit union and let the experts show them how to open an account and explain the benefits.

So what exactly is a Roth IRA?

2) Watch: Have your students watch the video of [Traditional IRA vs Roth IRA](#)

3) Discussion: After the video, ask your students if they can explain some of the main differences from a traditional IRA vs. a Roth IRA.

As a rule, contributions to a Roth IRA can be withdrawn tax-free at any time with no penalty. Earnings are typically taxable along with a 10 percent penalty if they are taken before age of 59 ½. This penalty, however, is waived if the money is used for qualified college expenses. A Roth IRA typically isn't counted in federal or college financial aid formulas since it is considered a retirement account. Students, however, should check with the college they are planning to attend to see if this holds true for them. Note that, if funds are withdrawn during the college years, the money will be counted as student income for the calendar year the withdrawal is made. Again, families should check with an accountant or financial adviser for information and advice specific to their circumstances.

Contributions to Roth IRAs (unlike traditional IRAs) are not tax-deductible, but potential earnings (interest) are tax free if withdrawn after age 59½ and if the account is at least five years old. Note: Students who hold Roth IRAs have access to their money upon the age of majority - that is, the age when they can sign contracts and take full legal responsibility for themselves.

4) Activity: Have your students read the scenarios and decide whether it's a good idea for any or all of the teens to start saving for retirement with a Roth IRA. Have your students select the image to the right or the button below. They can either fill this out electronically or print and fill out.

[Scenario Worksheet](#)

[Answer Key](#)

5) Discussion: To summarize, students learned that putting aside money for retirement means making choices with today's dollars. Suggest to students that they ask a relative what it's like to live on retirement money or a fixed monthly income.

The Money JAR - Technology is changing the world of work, and most jobs for today's middle school students haven't been invented yet. [Click here](#) to listen to this week's podcast episode on **The Reality of Virtual Reality**.

Bonus Activity: Financial Football Game

Extended Activity: 30 mins

Materials: Computer/Tablet with Internet

Activity: Visa and the National Football League have teamed up to create Financial Football, a fast-paced, interactive game that engages students while teaching them personal finance skills. The latest release features 3D graphics and game-changing opportunities with audibles, blitzes and long yardage plays. Select the link below to start playing the game.

[Play Game](#)