

401(k): The Power of Investing Young for Retirement

SUBJECT(S): Personal Finance

GRADE LEVEL(S): 9, 10, 11, 12

≡ **NBEA STANDARD(S):**

- Personal Finance, IV. Saving and Investing

≡ **RELATED ARTICLES:**

- “The Investor Lifecycle: Changing Priorities, Changing Portfolios”
- “Student Essay: Saving for Retirement: ‘Time Is on Our Side’”
- “Live Long and Prosper: Planning for a Social Security Shortfall”
- “Investing with Purpose”
- “How to Own a Piece of Your Favorite Brand”
- “Educator Toolkit: Impact Investing”

TOPIC/COMPETENCY: Investing

CEE National Standard:

Standard 5 – Benchmark 12-7

Jump\$tart National Standard:

Investing Standard 2

Common Core State Standard:

CCSS.ELA-Literacy.RI.11-12.2

CCSS.ELA-Literacy.RI.11-12.4

LESSON TITLE: Evaluate investment alternatives/401k

ESTIMATED TIME: 50 min

MATERIALS NEEDED: computers with Internet access, paper and pencil, [401k Interview Questions](#)

KEY VOCABULARY/TERMS: 401K, vesting, re-allocation, diversification, investing, portfolio, stock, company match

WHY THIS MATTERS TO YOU NOW: Retirement seems a long way off for you now but if you start early to plan for and invest in your retirement you will be able to one day enjoy retirement without financial concerns.

Activities:

- Motivational hook / activity –
 - Use the [Council on Economic Education Compound Interest Calculator](#) to illustrate the power of investing young for retirement. Initially plugin saving \$300 per month beginning at the age of 22, earning the market average of 8%. Will you be a millionaire? What happens if you wait to begin saving at age 35?
- Comprehension
 - Read [this article](#) to learn more about the basics of a 401k plan. Select three facts you learned and prepare to share with the class in a round table discussion.
 - As a classroom, discuss the facts of a 401k and in the conversation highlight the advantages and importance of contributing to a 401k early in your career, the basics of a vesting schedule, the tax advantages, and the power of an employer match.
- Practicing –
 - Use the [Choose to Save Ballpark E\\$timate Calculator](#) to determine how much money you need to retire in the lifestyle you desire.
 - Use the web to explore a company you would like to work for someday, what is the company policy on 401k's?
- Apply –

- Interview five adults who are working full time in different occupations. Use the attached interview guide and then compile your results in a paragraph.

- Going Further / Homework – Watch [this interview](#) of Dr. Olivia Mitchell of Wharton on “Borrowing from the future: 401k plans”

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