



3.9 The Importance of Investing for Retirement

Student Activity Packet

UNIT: INVESTING

Name:

Students will be able to:

- Explain what retirement means through a financial lens
- Investigate how investing can be a powerful tool to meet their retirement goals
- Understand what Social Security is and why most Americans cannot rely on Social Security alone for retirement
- Explore factors that can impact how much they might need in retirement and their ability to meet their retirement savings goal

NOTE: Vocabulary for this unit can be found in the [NGPF Personal Finance Dictionary](#)



INTRO

QUESTION OF THE DAY: For those who have one, what is the average amount of retirement savings 20-29 year olds have in their 401(k)s?

Answer the question on the first slide in the space below. Then, compare your answer to the answer on the second slide. Finally, follow your teacher's directions on how to answer the follow-up questions on the last slide.

1. **For those who have one, what is the average amount of retirement savings 20-29 year olds have in their 401(k)s?**



LEARN IT

ARTICLE: What is Retirement?

As you know, investing is a great way to build wealth for your future - especially retirement! Retirement may seem a long way off, but it's never too early to understand what it is and how you can best prepare for it! Read this article to learn more about what retirement actually is and how you can get there. Then, answer the questions.

1. **What types of income can you use in retirement to support yourself?**

2. Social Security defines the full retirement age as 67 for those born in 1960 or after. Does this surprise you? Why or why not?

3. While most Americans want to retire, the unfortunate reality is that many don't have enough saved up to do so. Why do you think this is?

VIDEO: [Will Social Security Be Around for Younger Generations?](#)

As the previous article stated, many people rely on Social Security in retirement. However, you may have repeatedly heard from the media that Social Security may not be around for much longer. Watch this video to learn more about Social Security and what its future might look like in the U.S. Then, answer the questions.

1. Which statement best describes what Social Security is and how it works?

- a. Social Security is a mandatory payroll deduction for current workers who then receive the retirement benefit on an annual basis.
- b. Social Security is an optional program to allow retirees to continue contributing to their individual retirement accounts.
- c. Social Security is a government program that pools contributions from current workers to then provide retirement support benefits to those who are eligible.
- d. Social Security is a federal health insurance program for retired workers.

2. Why are people worried about the future of Social Security?

3. What solutions are presented to fix the Social Security shortfall? (hint: choose three correct answers)

- a. Stop distributing benefits to workers who do not pay into the system
- b. Reduce benefits to match income from payroll taxes
- c. Increase the Social Security tax rate
- d. Raise the age of retirement for younger workers

4. While Social Security benefits millions of Americans, the system is not perfect. In what ways is inequality built into the Social Security system?

5. What points from this video can you use to explain why it's important to invest for retirement?

EDPUZZLE: [How Much Savings Do You Need To Retire?](#)

You've decided you want to start investing for retirement. Awesome! But, how much money do you anticipate you'll need in retirement? What's your goal? The answers to those questions depend on a variety of factors and personal preferences. Watch this video to understand how you can determine how much you might need. Follow your teacher's directions to answer the questions either in your student activity packet or within the EdPuzzle itself.

NOTE: EdPuzzle videos shuffle answer choices and do not always match the order provided in the lesson here.

1. Why will you need slightly more income in each year of your retirement?

- a. Your expenses increase the longer you are in retirement.
- b. Your rate of return on investments is guaranteed to increase in retirement, so you can spend more each year.
- c. You are required to withdraw more money each year from your retirement account
- d. You should take the increasing price of goods and services over time into account.

2. How can the length of your retirement impact how much you might need to save for retirement? (hint: choose two right answers)

- a. The longer your retirement, the MORE money you'll receive in government stipends and programs.
- b. The longer your retirement, the LESS you need to have saved.
- c. The longer your retirement, the MORE you need to have saved.
- d. The longer your retirement, the LESS money you'll be able to withdraw each year.

3. Which of the following should you do when taking your rate of return into account?

- a. Assume an aggressive rate of return because that is what the market guarantees.
- b. Assume an aggressive rate of return because it accounts for other income streams, such as Social Security.
- c. Assume a conservative rate of return so that you can plan the worst but hope for the best.
- d. Assume a conservative rate of return because that is how the market is going to perform.

4. Why does the amount you need to save for retirement increase from 1.5M to over 2.1M in this example?

- a. You'll need more money each year in retirement.
- b. The federal government contributes to your annual savings once you open a retirement account
- c. You're assuming you're going to earn more each year so you can contribute more.
- d. The increased amount each year takes inflation into account.



ACTIVITY: CALCULATE: Retirement Savings Goals

As you saw in the previous video, having a realistic goal for how much you might need in retirement can help you better plan for your future. Let's now take a look at how your savings rate, the age you start investing, and other factors can impact your ability to meet your goal! Follow the directions on the worksheet to complete this activity.



Follow your teacher's directions to complete the Exit Ticket.