Plotting Your Future: Setting Goals

**Process**

1. Discuss the importance of setting short-term (reaching them soon) or long-term (reaching them in the future) goals. Ask students about their goals. Identify which are short-term, long-term, financial and non-financial goals.
2. Have students select one long-term financial goal (e.g. buying a car) and determine the amount of money needed. Explain how saving money helps reach financial goals; one method is a savings account where money draws interest (payment from the bank for putting money in savings). Find ads in the newspaper on interest rates in savings accounts.
3. Show students how the Rule of 72 helps them compute the time or interest rate needed to reach financial goals. (Note: Rule of 72 means money doubles every 7.2 years @ 10% interest.) To determine the number of years required for savings to double in value: Divide 72 by interest rate on savings to get the number of years needed to double their money. For example, with $50 in savings at 4% interest: 72 divided by 4 = 18. It takes 18 years to have $100 without any additional deposits. To determine the amount of interest required for savings to double in a specific amount of time: Determine the number of years before the money is needed to reach their goal. For example, to double their money in six years, 72 divided by 6 = 12. A 12% interest rate is necessary.
4. Tell students this process is called compounding interest. It is a powerful tool to meet financial goals and will be discussed more in future lessons.

**Parent Option**

Spend time talking with your child about short-term and long-term goals. Have them list ten goals they want to achieve. Ask them to rank in order their list of goals, with one being the most important and ten the least important. Discuss the length of time needed to reach each goal. Help them establish two actions needed to achieve each goal. Post their goals in a prominent place in their rooms. Encourage them to re-evaluate their goals and actions, making any changes necessary to keep them on track. Remember, their personal goals are just as important as the goals you have for them.