

CHAPTER 2

Savings by Nation

Activity: Individual or pairs

⌚ 25 MIN.

Materials: One activity handout per student and use of the internet

Objective: The purpose of this activity is to analyze saving habits around the world, evaluate information from charts, and compute percentages.

STANDARD Financial Responsibility and Decision Making

Standard 4: Make financial decisions by systematically considering alternatives and consequences.

- Evaluate the results of a financial decision.

Take a Peek in the World's Piggy Bank

Procedure: Hand out student activity sheet. Review the definition of savings rate with students and evaluate the graph. Students should then answer each question carefully

Answer Key

- 1 How much less does the United States save compared to the highest saving nation? *11.8%*
- 2 What is the average saving rate in Europe as compared to the average saving rate in North America? *Europe 10.6%; North America 3.5%*
- 3 Find the mean and median for the list of values in the Savings by Nation chart. *Mean (82.9 divided by 10) = 8.29%; Median—the average of the two middle numbers (5.4 + 10.6 = 16, 16/2) = 8%*
- 4 Based on an annual disposable income of \$40,000, calculate the average amount of money a person would save in Japan; in the United States; in France. *Japan \$760; United States \$1,600; France \$6,320*
- 5 What are some possible explanations for the low saving rate in the United States? *High prevalence of credit card debt; aggressive marketing; our culture tends to equate stuff with happiness; saving is not a priority.*
- 6 Research: Go online to research the current U.S. saving rate. Is it higher or lower than 4%? What might have caused this increase or decrease in Americans' current saving behavior? *Answers will vary.*

Discussion Questions

- 1 In what ways might household saving rates reflect both the economic culture and history of a country? *Responses will vary, but students should note that cultural norms can influence spending and saving behavior. Economic history that includes times of prosperity or hardship also impact saving habits.*
- 2 Do you think the saving rate in the United States varies from generation to generation? Why or why not? *(Note: You may want to have your students research the saving rate of Americans that grew up during the Great Depression and compare to that of more recent generations.) Answers will vary.*
- 3 Instead of cultural and marketing influences, what factors should determine one's household saving rate? *Students should remember the three basic reasons to save: emergency fund, sinking fund for planned large purchases, and wealth building (investing).*
- 4 What might be some consequences of families not having adequate savings? *Answers will vary but should highlight overall financial insecurity.*

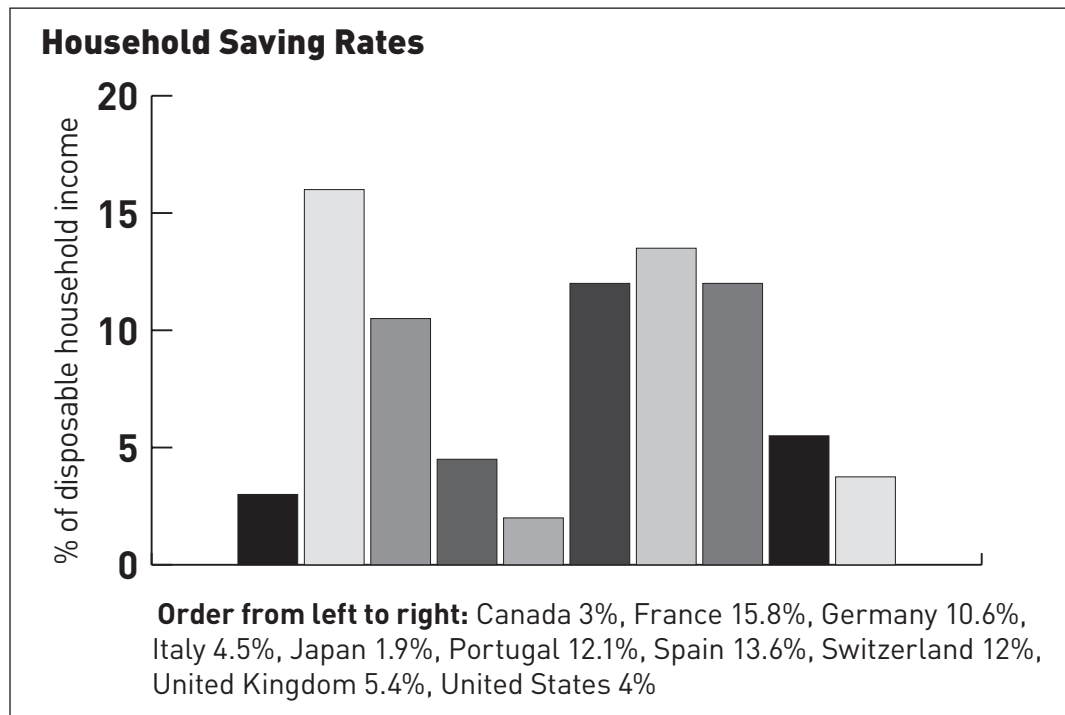
Savings by Nation ^(1/2)

Take a Peek in the World's Piggy Bank

The Household Saving Ratio: Household saving divided by household disposable income. Disposable income is the amount of money that households have available for saving and spending after income taxes have been taken out.

Directions

Use the information in the graph to answer the following questions.



Source: Organization for Economic Cooperation and Development, June 2012

Note: The household saving rate is evaluated quarterly and is always changing. As of March 2013, the household saving rate in the United States had dropped to 2.7%. (Federal Reserve)

NAME: _____

DATE: _____

Savings by Nation (2/2)

1 How much less does the United States save compared to the highest saving nation?

2 What is the average saving rate in Europe as compared to the average saving rate in North America?

3 Find the mean and median for the list of values in the Savings by Nation chart.

4 Based on an annual disposable income of \$40,000, calculate the average amount of money a person would save in Japan; in the United States; in France.

5 What are some possible explanations for the low saving rate in the United States?

6 Research: Go online to research the current U.S. saving rate. Is it higher or lower than 4%? What might have caused this increase or decrease in saving behavior?
