11

INVESTING FOR THE FUTURE (PART 2)

MY FOUNDATION PRINCIPLE

- Become One, Serve Together

FINANCIAL PRINCIPLES AND SKILLS

1. Set a Retirement Goal
2. Understand Compound Interest
3. Understand the Relationship between Risk and Return
4. Consider Potential Investments
5. Research Potential Retirement Accounts
6. Begin Saving for Retirement as Soon as Possible

REPORT—Maximum Time: 25 Minutes

LAST WEEK'S COMMITMENTS:

Ⓐ Practice and share last week's My Foundation principle.

Ⓑ Continue to put money toward my financial priority.

Ⓒ Discuss saving money, purchasing versus renting a home, and investing in education during family council.

Ⓓ Contact and support my action partner.

STEP 1: EVALUATE WITH ACTION PARTNER (5 minutes)

Take a few minutes to evaluate your efforts to keep your commitments this week. Use the "Evaluating My Efforts" chart at the beginning of this workbook. Share your evaluation with your partner and discuss with him or her the question below. He or she will then initial where indicated.

Discuss: What challenges did you have with keeping your commitments this week?

EVALUATING MY EFFORTS

INSTRUCTIONS: *Evaluate your effort to keep the commitments you make each week. Share your evaluation with your action partner. Ponder ways you can continue to improve as you practice forming these important habits.*

KEY: Minimal Effort / Moderate Effort / Significant Effort

	Ⓐ Practice and share the My Foundation principle		Ⓑ Plan and Manage My Finances		Ⓒ Hold a Family Council		Ⓓ Contact and Support My Action Partner	Action Partner's Initials
Example	*Be obedient*	*Moderate*	*Track expenses*	*Significant*	*Counsel about obedience*	*Moderate*	*Significant*	*SM*
Week 1	Self-reliance is a principle of salvation		Track expenses		Counsel with the Lord			____
Week 2	Exercise faith in Jesus Christ		Track expenses		Counsel about income and expenses			____
Week 3	Repent and be obedient		Track expenses		Counsel about tithes and offerings			____
Week 4	Live a balanced life		Build a budget		Counsel about budgeting			____
Week 5	Solve problems		Choose a budgeting system		Counsel about budgeting			____
Week 6	Use time wisely		Put money toward financial priority		Counsel about emergency fund, insurance			____
Week 7	Show integrity		Put money toward financial priority		Counsel about debt			____
Week 8	Work: take responsibility and persevere		Put money toward financial priority		Counsel about debt			____
Week 9	Communicate: petition and listen		Put money toward financial priority		Counsel about crisis management			____
Week 10	Seek learning: resolve where you are going and how to get there		Put money toward financial priority		Counsel about saving, home ownership, education			____
Week 11	Become one, serve together		Put money toward financial priority		Counsel about retirement planning			____

STEP 2: REPORT TO THE GROUP (8 minutes)

After evaluating your efforts, come back together and report your results. Go around the group and each state whether you rated yourself "red," "yellow," or "green" for each of last week's commitments.

STEP 3: SHARE YOUR EXPERIENCES (10 minutes)

Now share as a group the things you learned from striving to keep your commitments during the week.

Discuss:
- What experiences did you have practicing or sharing the My Foundation principle?
- How is working toward your financial priority going?
- How was your discussion during family council about home ownership and possibly pursuing additional education?

STEP 4: CHOOSE ACTION PARTNERS (2 minutes)

Choose an action partner from the group for this coming week. Generally, action partners are the same gender and are not family members.

Take a couple of minutes now to meet with your action partner. Introduce yourselves and discuss how you will contact each other throughout the week.

Action partner's name _____ *Contact information* _____

Write how and when you will contact each other this week.

SUN	MON	TUES	WED	THURS	FRI	SAT

MY FOUNDATION: BECOME ONE, SERVE TOGETHER—Maximum Time: 20 Minutes

Ponder: How does losing myself in the service of others actually save me?

Watch: "In the Lord's Way," available at srs.lds.org/videos. (No video? Read page 183.)

Discuss: How can serving others open the windows of heaven in your life?

Read: Some feel that they deserve what others already have, which can cause resentment. Others feel entitled to things they have not earned. These two traps blind people from seeing an essential truth: all things belong to God. Resentment and entitlement can be overcome by focusing on the needs of others. Read Mosiah 2:17, Mosiah 4:26, and the quote by President Gordon B. Hinckley (on the right).

ACTIVITY

Step 1: As a group, think of someone who needs help.

Step 2: Discuss the talents, contacts, and resources you have to offer.

Step 3: Make a plan to serve that person. For example, you could:

- Perform a service project in your community.
- Prepare your family history using the booklet *My Family: Stories That Bring Us Together*. Then go to the temple and perform sacred ordinances for family members who have died.
- Help someone on his or her path to self-reliance.

"When ye are in the service of your fellow beings ye are only in the service of your God."

MOSIAH 2:17

"And now, for the sake of . . . retaining a remission of your sins from day to day, . . . I would that ye should impart of your substance to the poor, every man according to that which he hath, such as feeding the hungry, clothing the naked, visiting the sick and administering to their relief, both spiritually and temporally, according to their wants."

MOSIAH 4:26

"When you are united, your power is limitless. You can accomplish anything you wish to accomplish."

GORDON B. HINCKLEY, "Your Greatest Challenge, Mother," *Ensign*, Nov. 2000, 97

Read: Quotes by Elder Robert D. Hales and President Thomas S. Monson (on the right)

Commit: Commit to do the following actions during the week. Check the box when you complete each action.

- ☐ Act on the plan you made to serve someone.
- ☐ Share what you've learned today about service with your family or friends.

IN THE LORD'S WAY

If you are unable to watch the video, read this script.

PRESIDENT HENRY B. EYRING: The principles at the foundation of the Church welfare program are not for only one time or one place. They are for all times and all places. . . .

. . . The way it is to be done is clear. Those who have accumulated more are to humble themselves to help those in need. Those in abundance are to voluntarily sacrifice some of their comfort, time, skills, and resources to relieve the suffering of those in need. And the help is to be given in a way that increases the power of the recipients to care for themselves and then care for others. Done in this, the Lord's way, something remarkable can happen. Both the giver and the receiver are blessed.

(Adapted from an address given by President Eyring at the dedication of the Sugarhouse Utah Welfare Services Center, June 2011, LDS.org)

PRESIDENT DIETER F. UCHTDORF: Brothers and sisters, we each have a covenant responsibility to be sensitive to the needs of others and serve as the Savior did—to reach out, bless, and uplift those around us.

Often, the answer to our prayer does not come while we're on our knees but while we're on our feet serving the Lord and serving those around us. Selfless acts of service and consecration refine our spirits, remove the scales from our spiritual eyes, and open the windows of heaven. By becoming the answer to someone's prayer, we often find the answer to our own.

("Waiting on the Road to Damascus," *Ensign* or *Liahona,* May 2011, 76)

Back to page 182.

"The purpose of both temporal and spiritual self-reliance is to get ourselves on higher ground so that we can lift others in need."

ROBERT D. HALES, "Coming to Ourselves: The Sacrament, the Temple, and Sacrifice in Service," *Ensign* or *Liahona,* May 2012, 36

"When we work together cooperatively, . . . we can accomplish anything. When we do so, we eliminate the weakness of one person standing alone and substitute the strength of many serving together."

THOMAS S. MONSON, "Church Leaders Speak Out on Gospel Values," *Ensign,* May 1999, 118

LEARN—Maximum Time: 45 Minutes

TODAY'S DISCUSSION:

4 SAVE AND INVEST FOR THE FUTURE

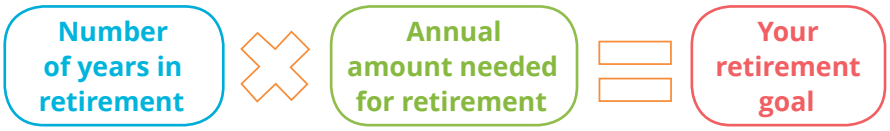
Read: In the previous chapter, we learned that investing is putting time, effort, or money into something and expecting some type of return. One of the reasons we may invest money is to have enough when we retire.

President Ezra Taft Benson taught, "As you move through life toward retirement and the decades which follow, we invite all . . . to plan frugally for the years following full-time employment" (*Teachings of Presidents of the Church: Ezra Taft Benson* [2014], 208). There may be government or social programs available to help you during retirement, but you will likely need to supplement the money available from these programs with your own savings or investments. If you fail to plan now, you may not have enough income or savings to be self-reliant after you retire.

Discuss: What will happen if you don't have enough money to live comfortably during retirement?

1. SET A RETIREMENT GOAL

Read: Before you begin saving for retirement, it is helpful to estimate how much you will need. This simple formula can get you started:



You cannot predict exactly how long you will live, but you can predict when you would like to retire, and you can project how long you will likely live beyond that time. Around the world, most people retire between the ages of 60 and 70. You may live an additional 20 to 30 years after retiring.

ACTIVITY (5 minutes)

Take a few minutes to put together an estimate for your retirement goal using the following formula.

	x		=	
Number of years in retirement		**Annual amount needed for retirement**		**Your retirement goal**

Note: You may not need this full amount when you retire, as your investments can continue to grow through retirement, but considering this number is a good place to start.

2. UNDERSTAND COMPOUND INTEREST

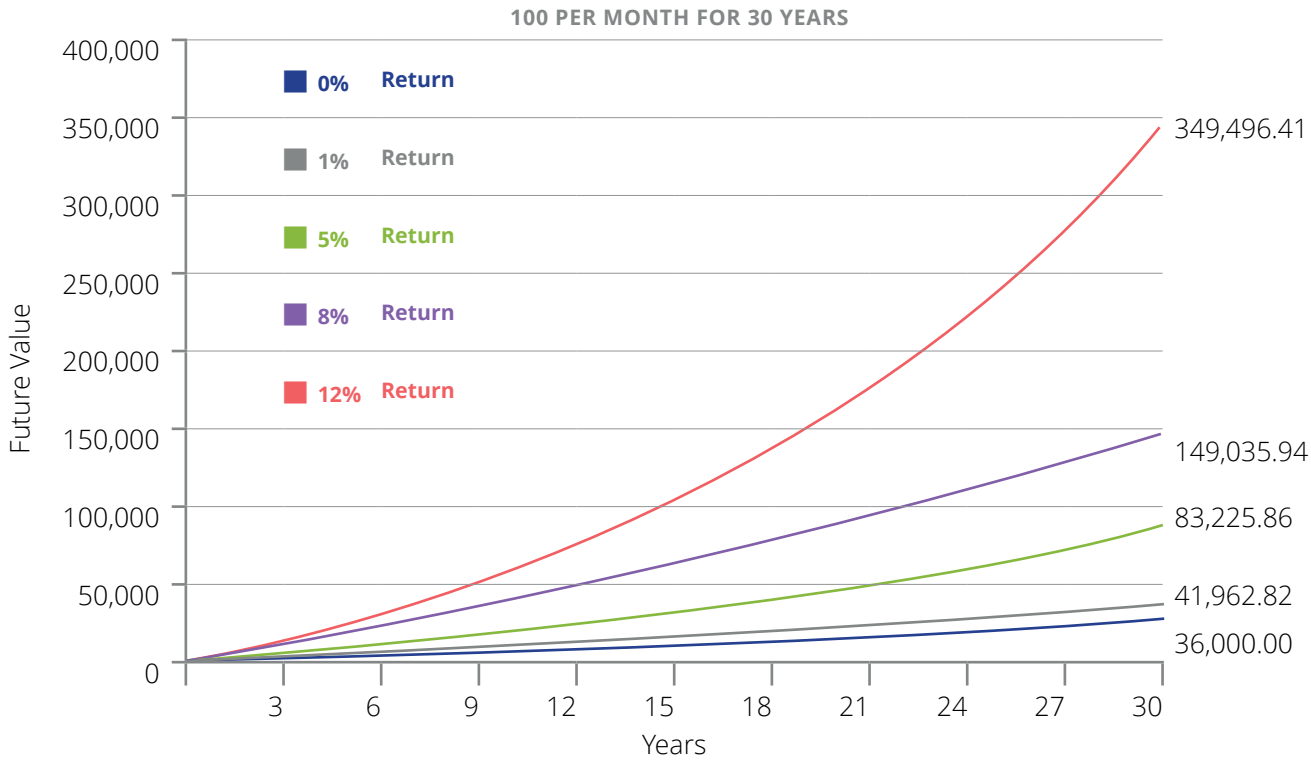
Read: Compound interest can be one of the keys to having enough money for retirement. **Compound interest** is earning additional interest on interest, and it is typically represented as a percentage

or rate of return. Once you earn your first interest payment, it is added to the principal balance. Then that larger balance continues to grow.

WHAT IS COMPOUND INTEREST?

Year 1	Year 2	Year 3	Year 4
10.00 + 9% = 10.90	10.90 + 9% = 11.88	11.88 + 9% = 12.95	12.95 + 9% = 14.12

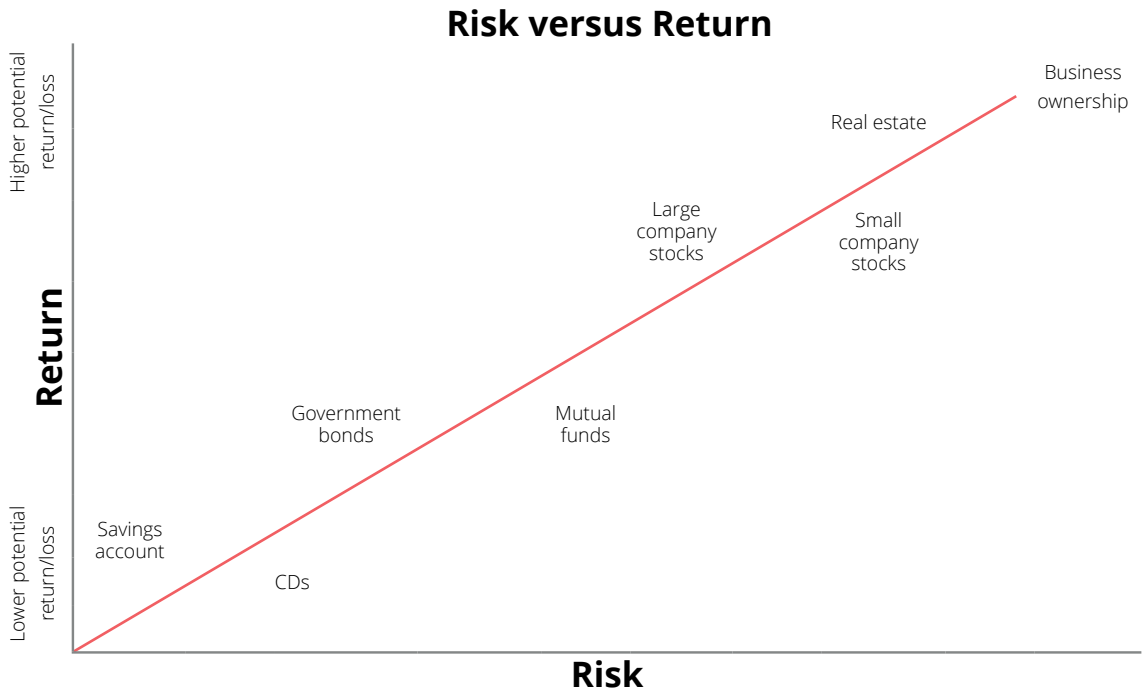
Read: Investing in ways that provide a good rate of return often helps people have enough money saved for retirement. Most people find it easier to invest smaller amounts of money consistently over time, such as a certain amount each month or from each paycheck, rather than large periodic sums. The example below demonstrates the total value of investing 100 per month for 30 years, with different rates of return. This is the power of compound interest.



Discuss: How can time and the rate of return affect the total value of an investment?

3. UNDERSTAND THE RELATIONSHIP BETWEEN RISK AND RETURN

Read: As we have seen, the rate of return can be very powerful. It might seem pretty straightforward that all we would need to do, then, is to invest our money in something with the highest rate of return. But it isn't that simple. As the following graphic shows, all investments carry a risk-and-return relationship. Typically, the lower the rate of return, the less risk that you will lose money on that investment. Conversely, the higher the potential return, the higher the potential risk that you will lose money.



ACTIVITY (3 minutes)

Pair up with your spouse or action partner, and discuss your personal level of comfort with investment risk.

4. CONSIDER POTENTIAL INVESTMENTS

Read: When considering potential investments, it is helpful to know some fundamentals. Almost all investments can be divided into two categories: those with a fixed rate of return and those with a variable rate of return.

A **fixed rate** means your rate won't go up or down but remains constant or fixed. Examples of savings or investments with fixed rates include savings accounts, certificates of deposit (CDs), and bonds. Fixed-rate investments often have a lower rate of return and could be considered less risky than variable-rate investments.

A **variable rate** means that your return could go up or down, meaning you could make or lose money. Examples of variable-rate investments include stocks, many mutual funds, businesses, and real estate. Typically, variable-rate investments are considered riskier than fixed-rate investments, but they can also carry the potential for higher returns.

Diversification means spreading your money across multiple investments. Investing in multiple investments or multiple types of investments can help reduce your risk.

For more information on different types of investments, read the "Resources" section at the end of this chapter on your own this week.

Discuss: As a group, review the following concepts until everyone feels comfortable that they understand them.

- Compound interest
- Risk versus return
- Fixed rate of return
- Variable rate of return
- Diversification

5. RESEARCH POTENTIAL RETIREMENT ACCOUNTS

Read: You will typically have to pay some type of taxes on your investments. In fact, taxes can be one of the largest expenses to consider when investing. Fortunately, many governments allow retirement accounts that have special tax benefits you will want to understand. These investment accounts may be employer sponsored or individual, and within these accounts you can invest in stocks, bonds, mutual funds, and more. The accounts go by different names depending on where you live, but the basic tax advantages are similar and generally fall into two categories: tax deferred and tax free.

Tax deferred: Contributions to tax-deferred accounts are typically tax-deductible in the year of the contribution, while withdrawals during retirement are taxed at whatever tax rate your income puts you at at that time. If your investment is not likely to grow substantially, either due to a lower rate of return or because it has less time to grow, you may save more in taxes by deferring paying income taxes on that money until retirement, when the money may be taxed at a lower rate.

Tax free: Contributions to tax-free accounts provide no initial tax advantages. For these accounts, the money you contribute is taxed in the year it was earned. However, all future earnings and withdrawals are tax free. If your investment is likely to grow substantially, either due to a higher rate of return or because it has more time to grow, you would probably pay less in taxes using a tax-free account.

As you can see, based on the type of account you choose, you will either pay taxes up front or at withdrawal. Depending on your circumstances, one type may be more beneficial to you than the other.

ACTIVITY (5 minutes)

Look over the following three examples. These examples assume someone invested 100 a month and earned an 8 percent return for 10, 20, and 30 years respectively. The same amount of money was invested and grew to the same value in both the tax-deferred and the tax-free account. However, look at the difference in the amount paid in taxes.

Step 1: Divide into small groups of two to four people, including your action partner.

Step 2: For each scenario, circle the lower total amount paid in taxes, and note which type of account costs less in total taxes.

Step 3: Discuss the following questions:

- What are the differences between the tax-deferred and the tax-free accounts?
- When would the tax-deferred account likely be the best option?
- When would the tax-free account likely be the best option?

INVESTMENT		TAXES				
10 YEARS		Taxes up front		Taxes at withdrawal		Total taxes paid
18,294 Money for retirement	TAX DEFERRED	0	+	2,744	=	2,744
12,000 Total invested; 8% return	TAX FREE	3,000	+	0	=	3,000

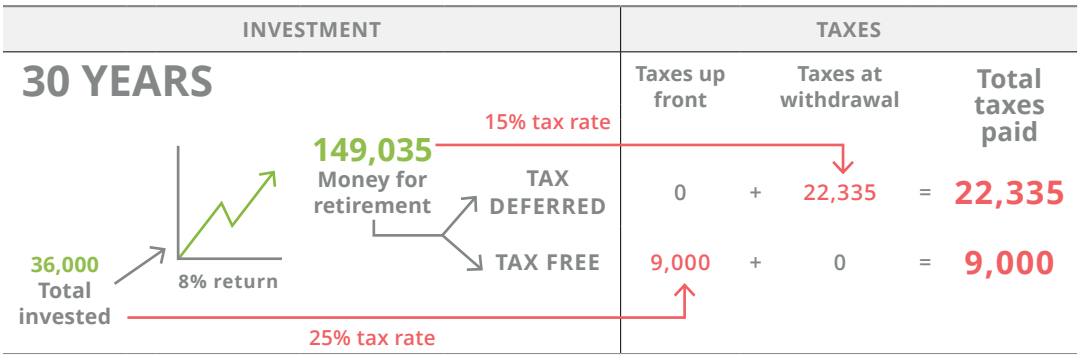
15% tax rate

25% tax rate

INVESTMENT		TAXES				
20 YEARS		Taxes up front		Taxes at withdrawal		Total taxes paid
58,902 Money for retirement	TAX DEFERRED	0	+	8,835	=	8,835
24,000 Total invested; 8% return	TAX FREE	6,000	+	0	=	6,000

15% tax rate

25% tax rate



6. BEGIN SAVING FOR RETIREMENT AS SOON AS POSSIBLE

Read: Once you have established an emergency fund and paid off your consumer debt, you should begin saving for retirement as soon as possible. The sooner you begin saving for retirement, the longer your money has to grow and the more money you are likely to have available for retirement.

One great way to begin saving for retirement is through an employer-sponsored retirement plan. If your employer offers some type of retirement account where they match some of what you contribute, take advantage of it! Their match is like a bonus or raise for you, just for contributing to your own savings.

The following activity helps to illustrate the power of investing regularly for a longer period of time.

ACTIVITY (10 minutes)

Step 1: Divide into small groups of two to four people, including your action partner.

Step 2: Discuss the investment strategies of the three people described below. Who invests the most? Who invests the least? Assuming they each earn 8 percent compound interest on their investments, who do you think will make the most? Who do you think will make the least?

JULIA

- Invests 300 each month beginning at age 25.
- In total she invests 147,600.

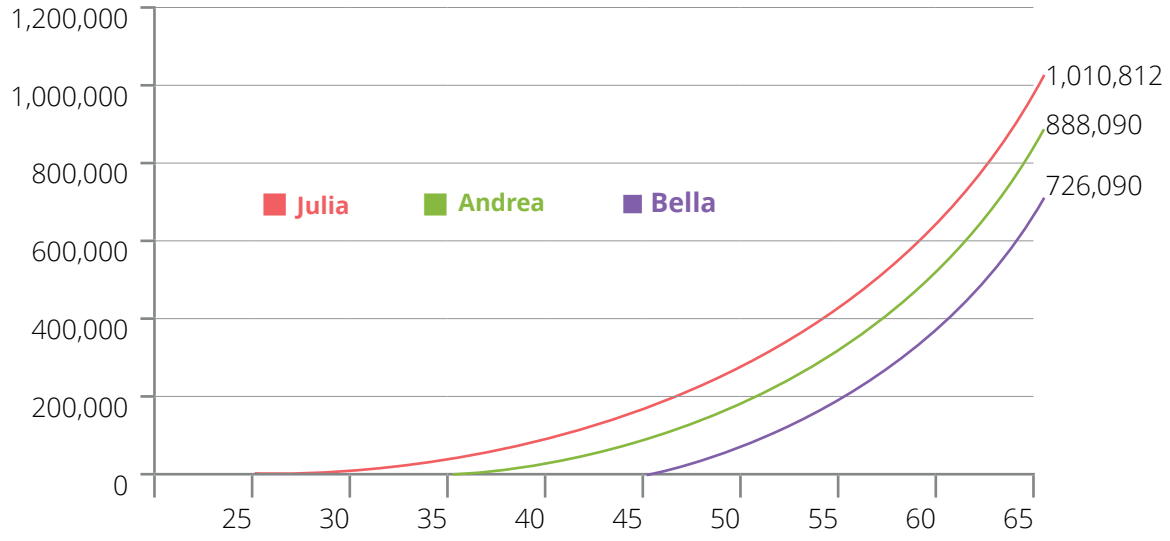
ANDREA

- Invests 600 each month beginning at age 35.
- In total she invests 223,200.

BELLA

- Invests 1,200 each month beginning at age 45.
- In total she invests 302,400.

Step 3: Now review the chart below that shows how their investments grow over time. Who made the most? Who made the least? What is the impact of time on investments?



Note: Assumes 8% compound interest rate.

DISCUSS PREPARING FOR RETIREMENT IN YOUR FAMILY COUNCIL

Read: During your family council this week, discuss your plans for retirement. Estimate how much you will need, when you would like to retire, and what your financial situation might be at that time. Write down the amount you would like to save, and determine an amount you can afford to set aside each month for retirement. Remember, while it is important to start saving for retirement as soon as possible, it is more urgent to build your emergency fund and to eliminate consumer debt first. During your discussion, you may want to use the "Sample Family Council Discussion" outline that follows.

SAMPLE FAMILY COUNCIL DISCUSSION

Be sure to begin and end with a prayer to invite the Spirit.

Part 1: Review

- How are you doing on your current financial priority?
- How are you currently preparing for retirement?

Part 2: Plan

- When would you like to retire?
- How much will you need each year to provide for your needs?
- How much do you need to save?
- What will your financial situation likely be like when you retire? Will you own a home? Will you still have a mortgage? Will you be preparing to serve a senior mission? Will you need to support any family members? Will your living expenses likely be more or less than what they are now?

INVESTING

The most important thing we ever did was to just start. Long before we had any "extra" income at all, I picked a conservative index mutual fund and set up an automatic deposit of 1 percent of our paycheck, then mostly forgot about it. When I changed employers about eight years later, I was setting up my new retirement fund and rediscovered this old fund . . . now worth nearly 7,500.

PONDER—Maximum Time: 5 Minutes

Individually think about what you have learned today and consider what the Lord would have you do. Read the scripture or quote below and write responses to the questions.

"Lord, thou deliveredst unto me five talents: behold, I have gained beside them five talents more" (Matthew 25:20).

What are the most meaningful things I learned today?

_____

_____

_____

_____

What will I do as a result of what I learned today?

_____

_____

_____

_____

COMMIT—Maximum Time: 10 Minutes

Read each commitment aloud to your action partner. Promise to keep your commitments and then sign below.

MY COMMITMENTS	
Ⓐ	I will practice and share this week's My Foundation principle.
Ⓑ	I will continue to put money toward my financial priority.
Ⓒ	I will discuss preparing for retirement during family council.
Ⓓ	I will contact and support my action partner.

My signature

Action partner's signature

RESOURCES

TYPE OF INVESTMENT	DEFINITION	FIXED OR VARIABLE
Savings Account	A deposit account, typically at a bank or other financial institution, with generally low rates of return. Account owners can make withdrawals and deposits without penalty.	Fixed
Certificate of Deposit (CD)	An account where you deposit a specific amount of money for a set period of time; if you withdraw the money before the time is up, you may incur a penalty (lose some of the money invested). While the money is invested, it generates a modest fixed rate of return. When the allotted time has passed, you get your original investment back, plus the interest earned.	Fixed
Bond	A debt investment where you essentially lend your money to an entity or organization for a set amount of time in order to receive an expected rate of return. When the allotted time has passed, you get your original investment back, plus the interest earned. Bonds can be issued by governments and corporations. Depending on the issuing organization, bonds can be considered low risk or high risk.	Fixed
Stock	This represents a portion of ownership in a company, sold as shares. Each share represents a piece of ownership, so if a company has issued 100,000 shares and you own one share, you own 1/100,000th of that company. The rate of return depends on company performance.	Variable
Mutual Fund	These are typically made up of a group of assorted stocks and bonds. The fund is managed by a professional. Mutual funds provide a simple way to diversify investments. If the mutual fund performs well, the value of your investment increases. If it performs poorly, the value of your investment decreases.	Variable
Real Estate	An ownership investment in real property such as houses, apartments, or commercial buildings. Returns come in the form of income, an increase in the value of the property, or both. Losses may also occur for many reasons, including a decrease in the value of the property or tenants not paying the rent or damaging the property.	Variable
Business Ownership	This investment represents having an ownership portion in a privately owned business. Returns depend on business performance.	Variable