UNIT 3 · WEEK 3

Saving & Emergency Funds

Student Workbook

Name:	________________________________
	Date started: ______________ Date completed: ______________

What you will learn in this unit: Setting short, medium, and long-term savings goals • Why the emergency fund is the #1 financial priority • High-yield savings accounts and APY • The pay yourself first automation strategy

Lesson 3.1 — Why Save?

KEY VOCABULARY

Term	Write the definition in your own words
Short-term goal	
Medium-term goal	
Long-term goal	
Delayed gratification	
Saving rate	
Purposeful saving	

MY SAVINGS GOALS

Fill in one real savings goal for each time horizon. Be specific — name the actual thing you want.

Time horizon	My specific goal	Total cost	Weekly savings needed
Short-term (under 1 year)		$	$
Medium-term (1–5 years)		$	$
Long-term (5+ years)		$	$

Calculate your weekly savings needed for your short-term goal:

Total cost: $________ ÷ Number of weeks: ________ = $________ per week needed

🧑‍🤝‍🧑 **Meet the group:**

Lucy: set a specific savings goal at the start of summer: $600 for a car emergency fund, $50/month for 12 months. She named the account “Car Fund” and never touched it for anything else.

Joseph: planned to “save what’s left.” Most months, nothing was left. After 12 months of trying, he’d saved $140 total — less than two months’ worth of contributions.

Alex: saves when business is good, spends when it’s slow. His savings balance swings wildly. He has goals but no system.

Sofia: doesn’t set specific goals but avoids spending instinctively. She has $1,400 saved but couldn’t tell you what it’s for.

What makes Lucy’s $50/month more powerful than Joseph’s “what’s left” approach, even if the dollar amounts were identical? What does Sofia’s money lack that Lucy’s has?

✔ Lesson Finisher

1. Which of the following best describes “purposeful saving”?

1. Saving whatever amount is convenient each month
2. Saving with a named goal, a target amount, and a timeline
3. Avoiding all unnecessary purchases
4. Putting all income into a savings account immediately

2. Explain in your own words why “save what’s left over” almost always results in saving nothing.

Lesson 3.2 — The Emergency Fund

KEY VOCABULARY

Term	Write the definition in your own words
Emergency fund	
Liquid savings	
Financial resilience	
3-6 month rule	
Unexpected expense	
High-yield savings	

EMERGENCY OR NOT?

Situation	Is it an emergency?
Your car breaks down and you need it for work	EMERGENCY / NOT
You see a sale on your favorite sneakers	EMERGENCY / NOT
You lose your job unexpectedly	EMERGENCY / NOT
Holiday gifts in December	EMERGENCY / NOT
A medical bill arrives that was not expected	EMERGENCY / NOT
You want the newest phone that just came out	EMERGENCY / NOT

CALCULATE YOUR EMERGENCY FUND TARGET

Monthly essentials estimate for a young adult living independently:

Housing: $900 | Food: $300 | Transportation: $200 | Utilities: $100 | Phone: $50 = Total: $1,550/month

3-month emergency fund target:	$1,550 × 3 = $_______________
6-month emergency fund target:	$1,550 × 6 = $_______________
If you save $100/month, how many months to reach your 3-month target?	$_______________ ÷ $100 = ______ months
Interest earned year 1 in 4.5% APY savings (avg balance ÷ 2 × 0.045):	$________ × 0.045 = $________

👥 Meet the group:

Alex: had $1,800 in his emergency fund three months ago. He used $1,200 of it for a "great deal" on used lawn equipment — not an emergency. Last week: a $340 vet bill for his dog. He had $600 left in the fund. He used it. Now his emergency fund is $0.

Sofia: has $2,800 in cash across several envelopes at home — one labeled "emergency," one "rent," one "food." It's working for her, but the cash earns nothing and carries risks.

Lucy: has a fully funded 3-month emergency fund in a high-yield savings account, untouched for 14 months.

Joseph: has $0 in emergency savings. He tells himself his credit card is his "emergency fund."

Why is a credit card a poor substitute for an emergency fund? What specific rule did Alex break when he spent his emergency savings on equipment?

✔ Lesson Finisher

1. Your car breaks down and costs $800 to fix. You need your car for work. This is:

1. A want, because cars are optional in some cities
2. Not an emergency if you have a credit card
3. A true emergency — unexpected, necessary, and income-threatening if unaddressed
4. Only an emergency if you have no savings at a

2. Why should an emergency fund be kept in a high-yield savings account rather than a checking account or invested in the stock market?

3. You want to build a 3-month emergency fund. Your monthly essentials total $1,400. You can save $175/month. How many months will it take to reach your target?

Show your work:

Lessons 3.3 & 3.4 — High-Yield Savings & Automating

KEY VOCABULARY

Term	Write the definition in your own words
APY	
APR	
High-yield savings account	
Compound interest	
Automatic transfer	
Pay yourself first	
Lifestyle inflation	

APY COMPARISON

Bank type	APY rate	Interest on $3,000 / year
Traditional big bank	0.01%	$_______________
Online high-yield savings bank	4.5%	$_______________
Annual difference:	4.49%	**$_______________ more with high-yield**

In your own words, why does "pay yourself first" work better than "save what is left over"?

👥 Meet the group:

Lucy: set up an automatic $75 transfer to her high-yield savings account on the day after every payday. She's done it for 11 months and saved $825 without thinking about it. The first month felt tight. By Month 3, she didn't notice.

Joseph: tried to save manually. He moved money "when he remembered and had extra." Over 11 months: Month 1 $0, Month 2 $30, Month 3 $0, Month 4 $0, Month 5 $75, Month 6 $0, Month 7 $0, Month 8 $0, Month 9 $20, Month 10 $0, Month 11 $0. Total saved: $125.

Alex: saves aggressively during high-income months but forgets to adjust when income drops. His savings are up and down.

Sofia: saves $0 per month intentionally but has $2,800 in envelopes from years of not spending. Her method works but is fragile.

Lucy's total: $825. Joseph's total: $125. Same income, same time period. What single habit explains 100% of the difference? What has it cost Joseph in 11 months?

✔ Lesson Finisher

1. APY stands for Annual Percentage Yield. Compared to APR, APY is:

1. Always lower, because yield accounts for fewer factors
2. Always the same as APR for savings accounts
3. Higher than APR because it accounts for compound interest over the full year
4. Lower than APR because it only measures simple interest

2. Your friend says: "I'll just save whatever is left at the end of the month." What is the most likely result of this approach, and what one change would most improve it?

3. You save $75/month automatically in an account earning 4.5% APY. After 12 months, roughly how much interest will you have earned? (Estimate: average balance over the year ÷ 2 × 0.045)

Show your work:

Unit 3 Review — Saving & Emergency Funds

Review your notes before starting. The Group Weighs In puts all four friends in a real emergency.

PART 1 — UNIT SUMMARY

Lesson	Key concepts
3.1 Why Save?	Named goals with timelines beat vague intentions • "Save what's left" almost always means save nothing • Purposeful saving requires a system
3.2 Emergency Fund	3–6 months of essential expenses • Only for true emergencies • Keep it liquid and separate from spending • Credit cards are not emergency funds
3.3 & 3.4 High-Yield & Auto	High-yield accounts earn 450×+ more than traditional banks • Automatic transfers beat willpower every time • Pay yourself first as soon as income arrives

PART 2 — KEY TERMS REVIEW

Term	Your definition
Emergency fund	
Liquid savings	
APY	
Pay yourself first	
3-6 month rule	

High-yield savings	
Delayed gratification	
Lifestyle inflation	

PART 3 — THE GROUP WEIGHS IN

👥 **Meet the group:**

It's a Tuesday morning. All four friends face the same unexpected situation: their car needs a $900 repair to stay road-legal. They need it for work. They have until Friday.

Lucy: opens her emergency fund app. She has $4,650 — three full months of expenses. She schedules the repair for tomorrow and transfers $900 back to checking. Her fund takes a hit, but she starts rebuilding next paycheck.

Joseph: has $0 in savings. He puts the $900 on a credit card at 24% APR. He'll "pay it off next month." He doesn't. Making only minimum payments, the $900 repair will take over 5 years to pay off and cost him more than $1,600 in total.

Alex: has $600 in his emergency fund — he spent the rest on equipment. He covers $600 from savings and borrows $300 from his dad with a promise to repay in 30 days. He will.

Sofia: has $2,800 in cash envelopes at home. She pays the $900 in cash — no problem. But she realizes the cash is now just $1,900 and it's earning exactly $0 in interest.

Discussion: Rank these four outcomes from best to worst and explain your reasoning. What does Joseph's outcome reveal about using a credit card as an emergency fund?

PART 4 — REFLECTION

My current emergency fund status and my plan to build it:

The saving habit I am most likely to actually do, starting this week:

My emergency fund target amount:	$
How I plan to build it:	
One savings habit I will start this week:	