FREEDOM FINANCIAL EDUCATION SERIES

SESSION 5

SAVING & INVESTING

Student Workbook

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FREEDOM PRINCIPLE Consistency beats timing.

Participant name (optional): ______________________________________

Session date: ______________________ Instructor: ______________________

Welcome to Session 5

Session 5 builds the Growth floor of the Freedom Financial House. You will learn a repeatable investing process—not how to predict markets or select a “hot” investment. Your goal is to understand the principles, identify your current stage, and choose one appropriate next step.

YOUR PRIVACY This workbook belongs to you. You are never required to disclose income, balances, debts, account values, holdings, risk scores, or personal financial details during class.

Today’s Learning Objectives

- Assess basic investing readiness without sharing private financial information.
- Explain compound growth and use the Rule of 72 as an estimate.
- Describe Discipline, Diversification, and Dollar-Cost Averaging.
- Distinguish an account from the investments held inside it.
- Connect risk, goal, time horizon, diversification, costs, and behavior.
- Choose one measurable next step before Session 6.

The Growth Floor

Financial House level	What it means
Foundation	Purpose, knowledge, cash flow, emergency reserves, and sound habits.
Protection	Protect income and responsibilities from risks the household cannot comfortably absorb.
Debt control	Stop unnecessary interest leakage and follow a written elimination plan.
Growth — Session 5	Save and invest with time, the 3 D’s, informed risk awareness, and a repeatable process.
Legacy	Connect financial freedom to beneficiaries, estate intentions, generosity, and future generations.

Freedom Win

CELEBRATE PROGRESS A win can be a habit, a conversation, a decision, or one dollar directed with purpose.

A Freedom Win might be...	My private reflection
I made an extra debt payment.	
I checked a credit report or account statement.	
I stopped adding new debt.	
I built or added to an emergency reserve.	
I had a useful family conversation about money.	

My Session 5 Freedom Win or lesson from last week:

From Stopping Leakage to Building Growth

KEY IDEA Interest can work against you through debt—or growth can work toward a future goal. Debt costs and investment returns are not identical: investment returns are uncertain.

One dollar I would like to redirect toward a future goal:

Investing Readiness

The first question is not “What should I buy?” It is:

THINK ABOUT IT Am I ready for this money to be at risk?

Readiness question	Private notes
Do I have an emergency reserve?	
Am I addressing high-cost debt?	
What is this money for?	
When will I need it?	

EMERGENCY-FUND STANDARD If you have no emergency reserve, $500 is a practical first milestone—not a complete emergency fund. Your finished reserve depends on your household.

My Current Stage

Choose one	Stage description
☐ PREPARE	Build stability: emergency reserve, debt plan, cash-flow room, and a clear goal.
☐ VERIFY	Understand what you already have: contribution rate, account, investments, beneficiaries, costs, and plan information.
☐ BEGIN	Gather the facts and take an informed first step appropriate to your goal and circumstances.
☐ STRENGTHEN	Review and improve consistency, diversification, costs, beneficiaries, contribution habits, or alignment with the goal.

No stage is a grade. Every stage can produce meaningful progress.

Time and Compound Growth

Guided Notes

Complete the idea	My notes
Money + _________ + return = growth potential	
Compound growth is growth on my money plus growth on prior _________.	
The early years may look slow because the starting _________ is smaller.	
Real investment returns do not arrive in a smooth or guaranteed _________.	

Hypothetical Compound-Growth Example

Year	Beginning amount	Hypothetical 5% growth	Ending amount
1	$100.00	$5.00	$105.00
2	$105.00	$5.25	$110.25

The additional $0.25 in Year 2 illustrates growth on prior growth. This simplified hypothetical ignores taxes, fees, deposits, withdrawals, and changing returns. It is not a forecast or promised rate.

In my own words, compound growth means:

___

___

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The Rule of 72

MENTAL ESTIMATE 72 ÷ assumed annual rate ≈ years to double

The Rule of 72 is an approximation. It assumes a steady rate and does not include changing returns, volatility, taxes, fees, contributions, or withdrawals.

Hypothetical rate	Calculation	Approximate doubling time
6%	72 ÷ 6	12 years
8%	72 ÷ 8	9 years

Let’s Calculate

Problem	My answer
72 ÷ 4 =	______________ years
72 ÷ 9 =	______________ years

What does the Rule of 72 leave out?

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REMEMBER An assumed rate is not an available yield, a prediction, or a guarantee.

Time, Inflation, and Hope

Principle	Meaning
Time	More periods can give prior growth more opportunity to participate.
Inflation risk	The number of dollars can remain stable while those dollars buy less.
Starting earlier	Can reduce how much later effort may be required, depending on actual results.
Starting now	Still creates choices and progress. A late start is a planning fact—not a character flaw.

FREEDOM REMINDER Start early when you can. Start now when you are ready.

Which factor can I influence now—saving, spending, goal, time, risk, or planning?

The 3 D's of Investing

The D	Complete the definition	What it helps address
DISCIPLINE	A written process for contributing, __________, and responding.	Inconsistency and emotion-driven decisions.
DIVERSIFICATION	Spreading exposure so one holding, company, sector, or __________ does not control the plan.	Concentration risk.
DOLLAR-COST AVERAGING	Investing equal dollar amounts at regular __________ regardless of market conditions.	Timing pressure and inconsistent purchasing habits.

IMPORTANT The 3 D's strengthen a process. They do not guarantee profit, prevent all loss, or make every investment appropriate.

My 3 D's Self-Check

Statement	Yes	Needs attention
I have a repeatable contribution and review process.	☐	☐
I understand whether one holding or risk dominates my plan.	☐	☐
My contribution habit does not depend on predicting the perfect day.	☐	☐

Dollar-Cost Averaging: Unit Example

Assume $100 is invested at each interval. This is arithmetic only—not a forecast or recommendation.

Purchase	Amount	Hypothetical unit price	Units purchased
1	$100	$10	10
2	$100	$5	20
3	$100	$20	5
TOTAL	$300	—	35

Average cost per unit = $300 ÷ 35 ≈ $8.57. Future value could be above or below cost. Actual investing may include fees, taxes, and other risks.

Dollar-cost averaging can…	Dollar-cost averaging cannot…
☐ Create a regular habit ☐ Reduce timing pressure ☐ Buy more units when prices are lower	☐ Guarantee a profit ☐ Prevent loss ☐ Guarantee the lowest average cost

What makes a contribution habit easier for me to sustain?

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3 D's Scenario Challenge

For each scenario, circle the D that is most clearly missing. More than one principle may sometimes apply.

Scenario	Discipline	Diversification	DCA	Why?
A worker stops contributions whenever headlines feel frightening.	☐	☐	☐	
An investor's future depends heavily on one company's stock.	☐	☐	☐	
A saver waits for the "perfect" day to invest each month.	☐	☐	☐	

Which D would strengthen my system most, and why?

Account or Investment?

CONTAINER AND CONTENTS The account is the container. Investments are what the money owns or holds inside the container.

Place each example in the correct column: 401(k), stock, IRA, bond fund, 403(b), mutual fund, TSP, cash.

ACCOUNT / CONTAINER	INVESTMENT OR HOLDING / CONTENTS
1. ____________________________	1. ____________________________
2. ____________________________	2. ____________________________
3. ____________________________	3. ____________________________
4. ____________________________	4. ____________________________

Available investments and account rules vary. Session 6 will introduce workplace-plan and traditional/Roth tax awareness.

Four Broad Building Blocks

Term	Recognition-level meaning
Cash-type holdings	Designed primarily for liquidity or stability; still subject to inflation and other risks.
Bonds / fixed income	Generally represent lending to an issuer; value and income can be affected by credit, interest-rate, inflation, and liquidity risks.
Stocks / equities	Represent ownership in a company; prices and returns can vary significantly.
Pooled investments	Combine money from many investors and may hold stocks, bonds, cash-type holdings, or combinations; objectives, risks, and costs vary.

Understanding Risk

Risk	Plain-language question
Market	Could the value move down when I need the money?
Inflation	Could my dollars lose purchasing power?
Concentration	Does too much depend on one company, sector, idea, or risk?
Liquidity	Can I access the money when needed, and are there restrictions or costs?
Behavior	Could fear, excitement, hot tips, or performance chasing interrupt the plan?
Goal shortfall	Could the strategy fail to provide what the goal requires?

IMPORTANT DISTINCTION Risk tolerance is how comfortable you feel with fluctuation. Risk capacity is how much fluctuation or loss the plan can financially withstand. They are related, but not identical.

Five Questions Before Choosing an Investment

#	Question	My notes
1	What is the goal?	
2	When is the money needed?	
3	How much fluctuation can the plan withstand?	
4	How diversified is it?	
5	What costs and restrictions apply?	

Diversification, Fees, and Behavior

DIVERSIFICATION More holdings do not automatically create better diversification. What matters is the underlying exposure and how the risks relate.

Diversification may reduce certain risks. It cannot prevent all loss or guarantee profit.

Questions About Costs

Ask	What to look for
What do I pay?	Transaction costs, advisory fees, ongoing expenses, sales charges, surrender or withdrawal charges, and other plan/account costs as applicable.
What do I receive?	Services, guidance, investment management, tools, access, or other features.
How can cost affect the goal?	Repeating costs can reduce the amount remaining to compound over time.

Behavior Checkpoint

When markets move, what will my written process tell me to review?

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What headline, emotion, or habit is most likely to pull me away from my plan?

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Freedom Toolbox

INVESTING READINESS & FIRST-STEP PLANNER Private • Practical • Yours

Use these pages during class. Your instructor will clarify terms but will not collect your answers or recommend an investment during this exercise.

A. My Stage

Select	My stage today
☐	PREPARE — Build stability and define the goal.
☐	VERIFY — Understand what I already have.
☐	BEGIN — Gather facts and take an informed first step.
☐	STRENGTHEN — Review and improve the existing process.

B. Private Readiness Check

Statement	Yes	Not yet	Need information
I have an emergency-reserve milestone or plan.	☐	☐	☐
I am addressing high-cost debt.	☐	☐	☐
I can state the purpose of this money.	☐	☐	☐
I know approximately when the money may be needed.	☐	☐	☐
I have considered access and liquidity needs.	☐	☐	☐
I understand that investment value may fluctuate or decline.	☐	☐	☐

Freedom Toolbox — Continued

C. My Purpose and Time Horizon

The purpose or goal for this money is:

____

____

Approximate time horizon	Select one
Less than 3 years	☐
3–10 years	☐
More than 10 years	☐
Not sure yet	☐

D. The 3 D's Self-Check

Area	Current strength	One improvement
Discipline		
Diversification		
Dollar-Cost Averaging / contribution habit		

E. Questions I Need Answered

Possible question	Select
What type of account do I already have?	☐
What is my contribution rate?	☐
Does my employer plan offer contributions, and what are its rules?	☐
What investments or holdings are inside the account?	☐
How diversified are the underlying exposures?	☐
What fees, expenses, restrictions, or access rules apply?	☐
Are my beneficiary details current?	☐
When and how will I review the plan?	☐

My additional question:

Freedom Conversation

CONVERSATION PROMPT Which investing habit is hardest to sustain—and what system could make it easier?

You may reflect privately or discuss the system with a partner. Do not share balances, income, debt totals, account values, or holdings.

The habit that is hardest for me to sustain:

____

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A system that could make it easier:

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Possible Systems

System idea	Could this help?
A calendar reminder for statement review	☐ Yes ☐ Maybe
An automatic contribution, if appropriate for my cash flow and plan	☐ Yes ☐ Maybe
A written list of questions for HR, the plan administrator, or a professional	☐ Yes ☐ Maybe
A scheduled beneficiary and contact-information check	☐ Yes ☐ Maybe
An accountability conversation with a spouse, partner, or trusted person	☐ Yes ☐ Maybe

Freedom Challenge

PRIMARY CHALLENGE Complete one investing-readiness action before Session 6 and record what you learned.

My stage	Example action
PREPARE	Start or add to an emergency-reserve milestone; continue the debt plan; define a goal and time horizon.
VERIFY	Locate a statement; identify the account type, contribution rate, investment names, beneficiaries, and available educational resources.
BEGIN	Write the questions that must be answered before opening or funding an appropriate account; schedule an educational conversation if desired.
STRENGTHEN	Review diversification, contribution consistency, fees, beneficiaries, and alignment with the goal.

My One Dated Action

I will:

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____

Completion date: ____________________

Optional accountability partner: ____________________________________

After completing it, what did I learn?

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Session 5 Review

Complete the idea	My answer
Readiness comes before __________.	
Time can help compound growth, but returns are not __________.	
The 3 D's are __________, diversification, and dollar-cost averaging.	
An account is the __________; investments are the contents.	
Diversification may reduce certain risks but cannot prevent all __________.	
Consistency beats __________.	

My Key Takeaway

Question to Carry into Session 6

Vocabulary Quick Reference

Term	Participant-friendly definition
Account	A financial container with particular ownership, access, plan, or tax rules.
Asset allocation	How money is divided among different investment categories.
Compound growth	Growth on original money plus growth on prior growth.
Discipline	A repeatable process for contributing, reviewing, and responding.
Diversification	Spreading exposure across and within categories to reduce dependence on one risk.
Dollar-cost averaging	Investing equal dollar amounts at regular intervals regardless of market conditions.
Inflation risk	The risk that dollars lose purchasing power as prices rise.
Liquidity	How readily money can be accessed and what restrictions or costs may apply.
Pooled investment	An investment that combines money from many investors and owns a portfolio under a stated objective.
Risk capacity	How much fluctuation or loss a financial plan can withstand.
Risk tolerance	How comfortable a person feels with investment fluctuation or possible loss.
Rule of 72	A mental estimate: 72 divided by an assumed annual rate approximates years to double.
Time horizon	How long until the money is expected to be needed.
Volatility	The degree and speed at which an investment's value moves up and down.

Additional Learning Resources

These educational resources can help you continue learning. Website content and rules may change; verify information before acting.

Resource	Use
Investor.gov — Compound Interest Calculator	Explore hypothetical contribution, time, and rate assumptions.
Investor.gov — Rule of 72 and Investing Basics	Review foundational concepts and investor education.
FINRA — Financial Tips for New Investors	Review goals, risk, diversification, fees, regular investing, and monitoring.
FINRA Fund Analyzer	Explore how fund expenses may affect hypothetical results.
U.S. Department of Labor — Types of Retirement Plans	Learn basic workplace-plan categories.
IRS — Retirement Plans	Find official federal retirement-account information and current rules.
Your workplace plan documents	Review plan features, investments, costs, matching rules if any, vesting, beneficiaries, and contact information.
A qualified tax, legal, or financial professional	Request guidance appropriate to your personal circumstances when needed.

EDUCATIONAL NOTICE FFES teaches financial principles and decision frameworks. This workbook does not provide individualized investment, tax, or legal advice; recommend a product; promise a result; or replace official plan documents.

Self-Check Answer Key

Exercise	Answer
Rule of 72	72 ÷ 4 ≈ 18 years; 72 ÷ 9 ≈ 8 years.
3 D's guided notes	Reviewing; idea/risk; intervals.
3 D's scenarios	Headlines: Discipline. One-company dependence: Diversification/concentration. Perfect monthly day: Dollar-Cost Averaging/timing pressure.
Account or investment	Accounts: 401(k), IRA, 403(b), TSP. Investments/holdings: stock, bond fund, mutual fund, cash.
Session review	Risk; guaranteed; discipline; container; loss; timing.
Compound-growth notes	Time; growth; base; line.

The personal readiness, reflection, and Freedom Challenge sections do not have one correct answer. Their purpose is to help you identify an appropriate next step.

Preparing for Session 6

NEXT SESSION Retirement & Tax Awareness

- Bring this workbook and your completed Freedom Challenge.
- If you choose, locate a workplace-plan or retirement-account statement for private reference. Do not bring or share it if you are uncomfortable.
- Write down questions about workplace plans, traditional and Roth concepts, retirement income, or planning vocabulary.
- Remember that current rules and individual tax circumstances matter; Session 6 remains educational.

My Session 6 questions:

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Workbook Review Record

Alignment check	Status
Aligned with approved S5-ARC-01 v1.0	☐ Confirmed
Aligned with approved 46-slide S5-CNT-01 v1.0	☐ Confirmed
Aligned with S5-IG-01 v1.0 exercises and terminology	☐ Confirmed
Writable, private, and participant-controlled	☐ Confirmed
No individualized recommendations or required disclosure	☐ Confirmed

Disposition: ☐ Approved ☐ Approved with changes ☐ Revise and resubmit

Approved by: ________________________ Date: __________