

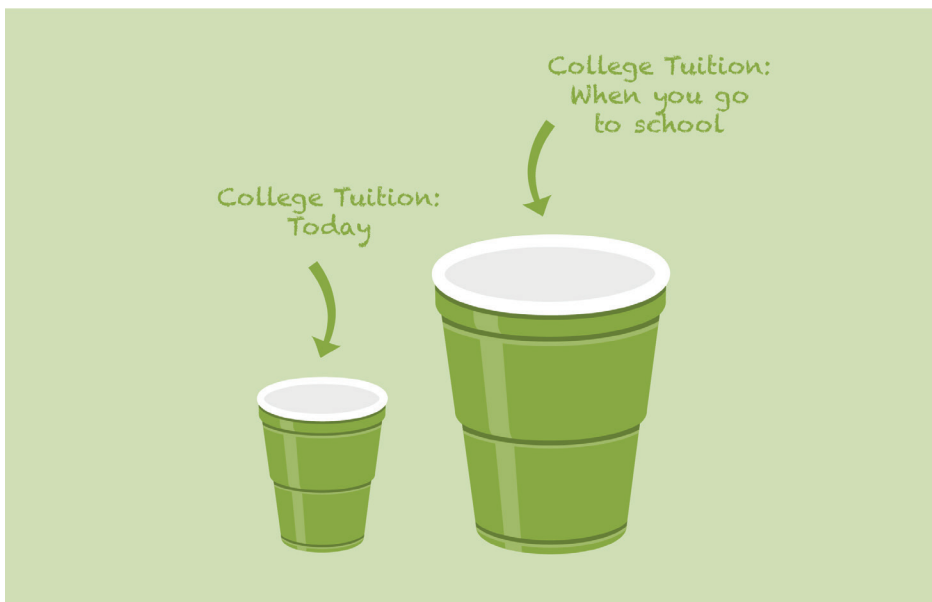
# See How Inflation Works.

Inflation can be hard to grasp, even for adults. This activity lets everyone see how it works, first hand. Get some cups, a pitcher of water, and show kids how the value of money changes over time.

## Activity

Present the following activity to help demonstrate inflation:

Tint a pitcher of water green to indicate that it represents money. Then line up the two empty cups as follows:



Point to the smaller cup. Say: “This represents the cost of college today.” Use a marker to label it College Tuition Today. Point to the other cup: “This represents the cost of college when you head off to school in a few years.” Label this cup College Tuition When You Go To School. Point to the space between the two cups: “This is the time you have to save for college. It’s called your time horizon. The increase in the price of college is due to inflation.”

Fill the first empty cup with water. Say: “Imagine that you just received a large monetary gift from a relative. This water represents the money that you received. It looks like enough to pay for college if you started today. Congratulations! Unfortunately, you’re not ready to start college yet. You can put this money into a savings account and let it sit for the next eight years when you’re ready to start college.”

Pour the contents of the water-filled cup into the larger 8 oz. cup. Say: “It’s time to send in applications! Do you still have enough money for college?” (No. You have your original investment, but it’s not enough anymore.)