

YOUR FINANCIAL ROAD MAP: WHERE DO YOU WANT TO GO?

DAY: 13

TITLE: YOUR MONEY: Savings and Investments, cont.

TARGET COMPETENCY: Propose ways to integrate savings and investing strategies into financial planning

OBJECTIVES:

- Differentiate between saving and investments
- Assess the time value of money
- Compare investment options
- Compare the relationship between risks and returns related to savings and investments
- Recommend ways to integrate savings and investing strategies into financial planning

HANDOUTS/MATERIALS

- NEFE Unit 3
 - Student Guide
 - PPT slides for Unit 3
- Student calculators (or cell phones) for exercises
- Handout: Risk and Return of Wealth Creating Assets (from Building Wealth, Lesson 8)
http://www.dallasfed.org/educate/pubs/wealth_classroom/08_lesson.pdf

LESSON SUMMARY:

In high school, students often think they don't have enough money to invest. While their incomes may be limited at the time, they do have a greater amount of one resource not than they will have at any other time in their lives – TIME! Even small amounts of money can grow substantially over time.

One way students can get even more out of money is to save or invest it. The focus of the next two units is to examine the distinction between savings and investments; specifically that savings is usually for short-term goals, while investing is generally for long-term goals. This unit is to help students understand both in order to achieve their financial goals faster and more effectively.

LESSON OUTLINE:

MINUTES	CONTENT
	<i>Recommendation: Invite a Certified Financial Planner to speaker about different investment types, their risks and methods for wise investments.</i>

10	<p>Investment Options</p> <p>There are many ways to put your money to work for you. Today, we're going to talk about an array of different investment options, all of which work better in certain situations than others. Review the various types of investments (pgs 35-36), marking the distinction between income investments and growth investments.</p>
15	<p>Different Investments = Different Risks</p> <p>Review the Four Types of Financial Risk (from Building Wealth, FRB of Dallas) http://www.dallasfed.org/educate/pubs/wealth_classroom/08_lesson.pdf</p> <ul style="list-style-type: none"> • Risk of default: When a saver loans money or buys a bond, the borrower might not repay the original amount of the promised interest. • Risk of capital loss: When a saver buys an asset hoping for a capital gain, the market price of the asset can fall, resulting in a capital loss. • Risk of inflation: When a saver earns a rate of return that is less than the rate of inflation, purchasing power is lost. • Risk of liquidity: When a saver buys an asset for an investment, the asset must be sold to realize the capital gain. Market conditions affect the saver's ability to sell the asset. <p>Break up into small groups or complete this exercise together in class: Handout 2 – Risk and Return of Wealth Creating Assets (from Building Wealth, Lesson 8) http://www.dallasfed.org/educate/pubs/wealth_classroom/08_lesson.pdf</p> <p>Ask the students: Are You a Risk Taker? Ask for a show of hands to see how many students consider themselves risk takers. Distribute SM3-2: Are you a Risk Taker? Have the students complete the questionnaire, then score themselves.</p>
<30>	<p>Financial Planner Guest Speaker?</p> <p><i>Or complete the rest of the lesson plan...</i></p>
15	<p>Are You a Risk Taker?</p> <p>Ask the students: Are You a Risk Taker? Ask for a show of hands to see how many students consider themselves risk takers. Distribute SM3-2: Are you a Risk Taker? Have the students complete the questionnaire and score themselves. Once they've completed, have them break into groups based on</p>

	<p>how they scored: Conservative, Average, or Aggressive. Facilitate a discussion about risk:</p> <ul style="list-style-type: none"> • Is the distribution of the groups similar to the earlier informal poll? • Was anyone surprised by how they scored? If so, why? • Do you agree/disagree with the assessment of questions 5 & 7? Why/not? • Are there times when you can see yourself being more/less risky? Explain. • Would you be more/less risky if you were investing someone else's money? Explain.
10	<p>Dollar Cost Averaging</p> <p>Explain that dollar cost averaging evens out the ups and downs of the market. Show PPT slide 3-L to illustrate the value of regularly investing versus randomly investing.</p> <p>Optional: Review a financial website, such as: http://www.marketwatch.com/pf/started/gettingstarted_intro.asp http://finance.yahoo.com/education/begin_investing</p>
5	<p>Assessment</p> <p>Briefly answer each of these questions:</p> <ol style="list-style-type: none"> 1. Name one example of an Income Investment. 2. Name one example of a Growth Investment. 3. Provide an example of a liquid asset. 4. Explain the concept of dollar cost averaging. 5. Explain the importance of diversification in your investments.

HOMEWORK:

- Handout 2 – Risk and Return of Wealth Creating Assets (from Building Wealth, Lesson 8)
http://www.dallasfed.org/educate/pubs/wealth_classroom/08_lesson.pdf
- Read pages 34-39 in NEFE Student Guide.

ADDITIONAL RESOURCES:

Lesson plans from Econedlink.org

The Five Stages of Investing

<http://www.econedlink.org/lessons/index.php?lid=707&type=educator>

This lesson walks students through the stages of investing, demonstrating why that sort of sequential order is important. At the end of the lesson, students are asked to

serve as financial advisors and give advice to people considering investments at different stages of the investment ladder.

Developing a Financial Investment Portfolio (advanced students)

<http://www.econedlink.org/lessons/index.php?lid=566&type=educator>

Students act as financial advisors and develop a financial investment portfolio for three different “clients” using internet references as they analyze various saving options. The internet web sites assist students by providing information regarding their choices for the portfolios. Students may track the portfolio over several weeks to assess their investment strategies.

Video Game: Gen I Revolution - Mission 1: Building Wealth Over the Long Term

<http://www.econedlink.org/interactives/index.php?iid=102&type=educator>

In this game, students must convince Angela to invest in a 401(k) plan now to build wealth over the long term (about 30 min.). This is one unit of several in the Gen I Revolution series.

Market Mechanics: A Guide to U.S. Stock Markets (advanced students)

<http://www.nasdaq.com/about/MarketMechanics.stm>

The Stock Market Game (requires computer access)

<http://www.stockmarketgame.org/>

A real-life simulation of using the stock market; teams compete and competition motivates students to research actual stocks.

Save a Million Calculator

<http://www.practicalmoneyskills.com/calculators/calculate/saveAMillion.php?calcCategory=saving>

This and other useful online calculators are available at Practical Money Skills.

Building Wealth – Federal Reserve Bank of Dallas

<http://www.dallasfed.org/ca/wealth/index.cfm>

This financial education series provides a strong collection of lessons focusing on the basics of financial education, which include teachers’ plans, student visuals, a handbook, and online video and tools.

Lesson 5: Stocks - Owning a Part of a Company

http://www.dallasfed.org/educate/pubs/wealth_classroom/05_lesson.pdf

Lesson 6: Bonds – Lending Your Money

http://www.dallasfed.org/educate/pubs/wealth_classroom/06_lesson.pdf

Lesson 8: The Rise and Fall of Risk Return

http://www.dallasfed.org/educate/pubs/wealth_classroom/08_lesson.pdf

Treasury Direct.Gov

<http://www.treasurydirect.gov/>

Individuals can learn more about government securities, such as savings bonds, Treasury bonds, bills and notes, as well as establish an online account to buy, convert, sell or redeem securities. There are no fees to establish an account or purchase securities directly from the U.S. Treasury, and you can establish regular purchase through direct deposit.

U.S. Securities and Exchange Commission:

- *Beginners' Guide to Asset Allocation, Diversification, and Rebalancing*
<http://www.sec.gov/investor/pubs/assetallocation.htm>
- Teacher's Summer Workshops at the NYSE
<http://www.sec.gov/investor/teachers.shtml>