Lesson 6: Get Invested

TOPIC: Buying Decisions

Time: 60 min

Supplies:
- Markers, Post-It notes (or paper and tape) for the game
- Whiteboard or chart paper, markers
- Projector (for teacher presentation slides)
- Access to the Internet (optional)

Preparation:
- Make copies of student handout
- Set up projector with presentation slides

Glossary with key vocabulary 11

OVERVIEW:

Compounding students' knowledge of **saving** and goal setting, this lesson builds interest by adding an introduction to **investing**. Students will begin to explore basic concepts about how goal setting is connected to investing and saving, and the concept of **risk** and **return** to help money grow over time. Students will explore the concept of saving to build wealth for the future, and will answer questions about real-life scenarios to recognize the value of long-term financial thinking.

OBJECTIVES:

1. Explore the basic concepts of investing, including risk and return
2. Compare and contrast several kinds of investments
3. Analyze the savings outcome of several investment options
4. Explain the value of long-term financial planning

HANDOUTS:
- Complete the Story
- Risk and Return
- Money Smart Book

TEACHER PRESENTATION SLIDES:
- Investing Your Money
- Investing: Risk and Return
- Story Problems: Investing
- What Is Inflation?

ESSENTIAL QUESTIONS:
- What is investing?
- Why is it important to have long-term money goals?
- What are the risks and returns of investing?

ASSESSMENT ACTIVITIES:

Pre-Assessment:
- **Handout:** Complete the Story
- **Slide:** Story Problems: Investing

Post-Assessment:
- **Handout:** Risk and Return
- **Handout:** Money Smart Book

Instruction Steps

WARM UP

Introducing the Concept of Investing

20 MINUTES

Review what students learned about setting goals in Lesson 2 by asking them to share a few of their savings goals.

Discuss the following inquiry-driving questions:

- *Why is **saving** money important?* (Saving allows you to have enough money to buy things in the future and to use for emergencies.)
  - *Why is it important to have long-term money goals?* (Long-term money goals help you plan and save for the future.)
- *What is **investing**?* (Investing is spending money with the goal that it will bring a **profit**, or more money, in the future.)
  - *How might investing help you achieve your long-term savings goals?* (Investments can increase in value and provide income. Then I can set aside more money in savings.)
  - Ask students: *What examples can you think of for investing*? (investing money in a company or putting money in an account that earns interest at the bank.)

Share that the class will play a game to explore three types of investments – bonds, certificates of deposit, and stocks. Pass out one sticky note to every student. Tell students that if their birthday is in January through April, to write down **Bond**. Share that the bonds are bought from the government or businesses. When you buy a bond, you're lending money for a set amount of time sometimes up to 30 years. The government or business that you lend your money to will pay it back with interest.

Next if their birthday is in May through August, have students write down **CD** (the acronym for certificates of deposit). CDs are when you deposit a certain amount of money at a bank for a specific amount of time. They generally earn more interest than other types of accounts.

Last, if their birthday is in September through December, have students write down **Stock**. Buying stock is investing in a business. You own a tiny piece of the company.

Have students create groups based on which of the three investments they have been assigned. Next without talking students must decide on a single action to represent their group (e.g., the wave, blinking eyes etc.).

Discuss the activity, starting with the question:

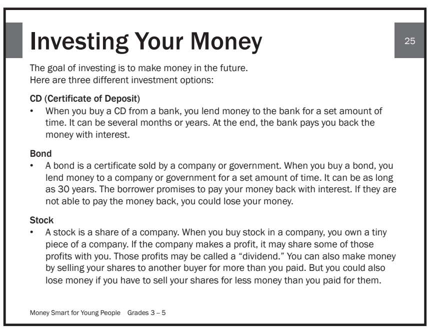
- *What was the hardest part of the activity?* (Students might say the hardest part was not being allowed to talk or seeing how fast they could get into groups.)
- *What do you think was the purpose of the activity?* (to work as a team, to communicate without talking, to get us thinking about investments)

MONEY SMART TIP!
Explain to students that, when they are investing money, they need to be patient. Investments often take time to grow.

GUIDED EXPLORATION

Exploring Investment Options

10 MINUTES



Ask students to share what they know about certificates of deposit (CDs), bonds, and stocks. Display the ***Investing Your Money*** slide to show the difference between the three investments. Provide students with the ***Complete the Story*** handout with a cloze passage about each kind of investment.

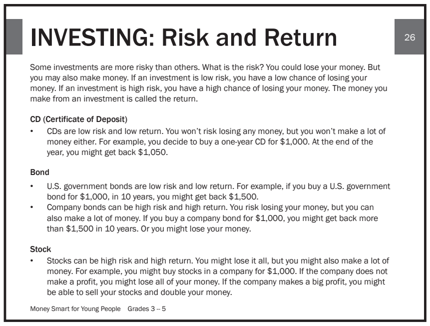
Grade-Level Modification:

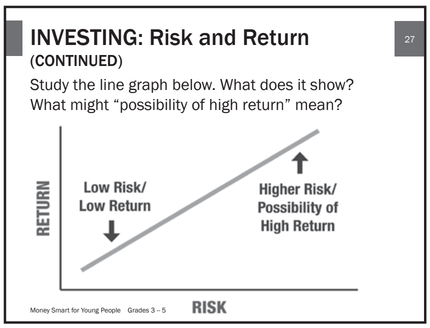
Beginner: As a class read the story and complete the passage. Discuss why each investment best fits in its sentence.

Advanced: Have students work in pairs to complete the passage. After they finish the passage have them share which investment type they were given in previous game. With their partner have them share, where would they be bought? Do they earn interest or part of a business’s profit?

Understanding Risk and Return

20 MINUTES





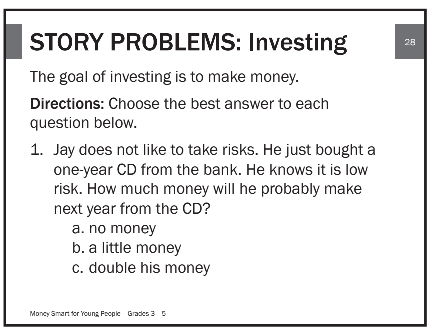
As a refresher, ask students what they learned about risk from Lesson 4 and then ask: *How might risk be part of investing?* (Investing is risky because you could lose your money.)

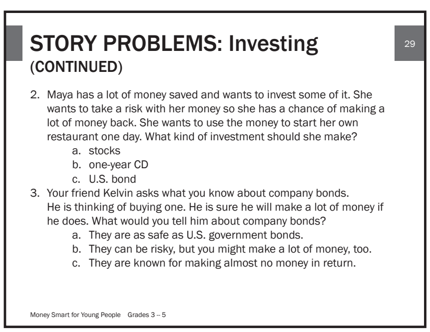
Share the ***Risk and Return*** slides to illustrate the concepts of risk and return for CDs, bonds, and stocks. Ask students to get back into their earlier investment groups (bonds, CDs, stocks). The bonds may choose if they want to be a government bond or a company bond and divide group appropriately.

Prepare students to play a risk and return freeze dance game. Have the student groups with the greatest risk (company bonds and stocks) sit closest to the teacher (the riskiest spot for being spotted moving in freeze dance).

Next share with students that when the music plays they will do the movement they created as a group earlier (e.g., blinking, the wave, etc.) Play one round and stop music. Any individuals that don't freeze are out.

For the second-round challenge students to do their movement quickly if they are a high return investment and slow if they are a low return investment. **Ask students:** *How did they take risks during the game? Would they be willing to take a greater risk for a greater possible return or reward?*





Then show the ***Story Problems: Investing*** slides to check for student understanding.

Afterward, have students complete the ***Risk and Return*** handout that covers these concepts using real-life scenarios. Review as a class.

Ask: *What are the risks and returns of investing?* (Some investments are riskier than others. The risks are that you could lose your money. But you may also make money. The money you make from an investment is called the "return.")

Grade-Level Modifications:

Beginner: Before students solve each problem on the ***Story Problems: Investing*** slides and **Risk and Return** handout, ask them to share what they remember from the **Risk and Return** slides and the freeze dance game.

Ask students:

- What does low risk mean?
- Which investments have the lowest risk? Why?

Advanced: Ask students to explain the reasoning behind their answers. Have them discuss with a partner which investment type is most interesting to them and why?

WRAP UP

Class Reflection

10 MINUTES

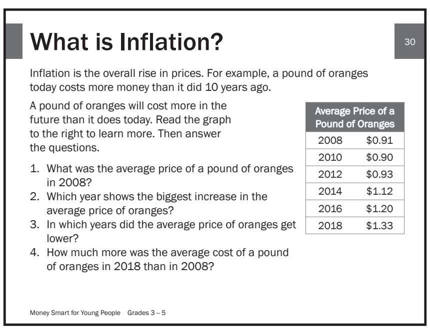
Ask students:

- How can investing help you reach your long-term money goals?
- If you were to recommend an investment to your family what would it be? Why?

The prompts above may be responded to within the ***Money Smart Book***, page, a writing journal or completed as a think-pair-share discussion with a peer or small group. Students may keep their ***Money Smart Book*** for reflection and discussion throughout the lessons. The summary and final product will provide a measurable assessment. Students can also share the book with their parents as a discussion starter about what they have learned.

Extended Exploration

Note: Use the following activities to extend the lesson topic throughout the year. Activities can be completed as a class, in small groups, or during center time. Duration of activities will vary.



Display the ***What Is Inflation?*** slide (with a graph showing the overall rise of the average price of a pound of oranges over time), and have students answer the questions. Students may explore how everyday items prices have increased over time.

- This visual handout can help students learn more tips for saving money at **http://themint.org/kids/saving-tricks.html.** After reviewing, students may design a cartoon poster, using more ideas for how they can save money.
- Invite students to play Invest Quest at **www.consumer.ftc.gov/media/game-0007-invest-quest.com** to learn more about money and to test their investing knowledge.
- Get students thinking about investing by asking them to set a goal. Have students write a story about an investment they made that allowed them to achieve that goal. In addition, they can write about what challenges they might have had along the way.

Answer Key

Student Handout 1: ***Complete the Story***

My friend Ty is always talking about his long-term money **goals**. He plans to manage his money wisely. When he is older, he wants to **invest** money in several places. First, he says he'll buy a **CD** from the bank so he can earn **interest**. He may also buy a **bond** from the government. Later, he is going to buy **stocks** so he can own shares of a company. If the company makes a big **profit**, he could make a lot of money! But if the company does not, he could **lose** his money. Ty told me that's a chance he'll have to take. One day he might even start his own **company**.

Student Handout 2: ***Risk and Return***

1. A (Buy a CD or U.S. government bond.), 2. B (Do some more research about stocks. You may also lose your money.), 3. C (stocks and high-risk bonds)

Lesson 6: Get Invested

COMPLETE THE STORY

Name: ____

Directions: Read the passage and fill in each blank with the correct word from the word box.

WORD BOX				
lose	**bond**	**stocks**	**CD**	**goals**
profit	**company**	**interest**	**wisely**	**invest**

My friend Ty is always talking about his long-term money ______________________.

He plans to manage his money ______________________. When he is older, he

wants to ______________________ money in several places. First, he says he'll buy

a ______________________ from the bank so he can earn ______________________.

He may also buy a ______________________ from the government. Later, he

is going to buy ______________________ so he can own shares of a company.

If the company makes a big ______________________, he could make a lot

of money! But if the ______________________ company does not, he could

______________________ his money. Ty told me that's a risk he'll have to take.

One day he might even start his own ______________________ .

Lesson 6: Get Invested

RISK AND RETURN

Name: ______________________________

The goal of **investing** is to buy something to make money in the future. Some investments are more risky than others.

Directions: Read the three scenarios below. Then fill in the circle for the best answer to each question about investing money.

1. Keisha's mother wants to invest money, but she does not want to risk losing it. She knows that taking a low risk means she might not make that much money. But she is OK with that. What should she do?
   - ○ Buy a CD or U.S. government bond.
   - ○ Invest in stocks or any kind of bond.
   - ○ Put a large amount of money in stocks.

2. If Juan saves $300, how much money would he have in the bank at the end of the year?
   - ○ Make sure you invest a lot of money. Then you can get rich quickly.
   - ○ Do Some more research about stocks. You may also lose your money.
   - ○ Sounds like a sure thing. You should start picking out your car today.

3. How much money would Juan need to save to receive $8 of interest after a year?
   - ○ A one-year or five-year CD
   - ○ U.S. government bonds
   - ○ Stocks and high-risk bonds