

Assessing Investment Options

SUBMITTED BY: WGYP Summer 2011 Instructor

SUBJECT(S): Personal Finance

GRADE LEVEL(S): 9, 10, 11, 12

≡ OVERVIEW:

In this lesson, students will become familiar with investing and potential investment vehicles. They will learn about different options and evaluate them using four variables in a group setting. The lesson focuses on increasing the students' understanding of investments as well as fostering their critical thinking skills about the investment options available.

≡ NBEA STANDARD(S):

- Personal Finance, IV. Saving and Investing

≡ RELATED ARTICLES:

- [“The Investor Lifecycle: Changing Priorities, Changing Portfolios”](#)
- [“Portfolio Management: Making Decisions about Your Investments”](#)
- [“Inside Berkshire Hathaway’s Spectacular Shareholders Meeting”](#)
- [“Educator Toolkit: Wall Street”](#)
- [“10 Terms New Investors Should Know”](#)

Common Core Standard(s):

- Reading Informational Text — RI.9 -10.1.; RI.9 -10.2.
- Speaking and Listening — SL.9 -10.1.

Purpose:

- The students will understand what investing is and why it is important.
- They will learn about the potential investment vehicles they can invest in after they start working.
- They will also evaluate the investment options using a four variable assessment system.

Other Resources/Materials:

[Worksheet 1](#)

Background for Teacher:

[Background on investments found here at investopedia.](#)

“It’s actually pretty simple: investing means putting your money to work for you. Essentially, it’s a different way to think about how to make money. Growing up, most of us were taught that you can earn an income only by getting a job and working. And that’s exactly what most of us do. There’s one big problem with this: if you want more money, you have to work more hours. However, there is a limit to how many hours a day we can work, not to mention the fact that having a bunch of money is no fun if we don’t have the leisure time to enjoy it.

You can’t create a duplicate of yourself to increase your working time; so instead, you need to send an extension of yourself – your money – to work. That way, while you are putting in hours for your employer, or even mowing your lawn, sleeping, reading the paper or socializing with friends, you can also be earning money elsewhere. Quite simply, making your money work for you maximizes your earning potential whether or not you receive a raise, decide to work overtime or look for a higher-paying job.”

Activity:

Introduction (5 mins)

Ask students to think about the purpose of saving. What is the different between saving and investing? What is investing? The teacher can use some of the information in the background section to get students to understand why investing is important.

Teacher-led Activity (10 mins)

If investing means putting your money to work for you, students may wonder how to do this. It sounds pretty great, but how does it work?

Introduce the four variables that can be used to assess investment opportunities by writing it on the board. Go over each variable and ask students to think about why each variable is important. Which one seems the most important? Least important?

Four Variables to Assess Investment Vehicles

- Access: How often will one have to access the money in the investment?
- Interest: Is the interest fixed or variable? What are the rates?
- Service: Assessing the customer service available when the investment is chosen.
- Risk and Penalties: What will be the possible punishments for making an investment mistake?

Group Activity (15 mins)

Introduce the worksheet with the different options of investments. Instruct students that they will go through the worksheet and evaluate the investment options on a scale of 1-5. [5 indicates more access, high interest rates, high degree of service, and low risk, i.e. preferable qualities. 1 indicates low access, low interest rates, not as much service, high risk.]

Give students 5 minutes to go over the description table. Break them up into groups and have them work on filling the table for 10 minutes.

YOU CAN SHOW THIS ON THE OVERHEAD OR POWERPOINT

Investment Options	Description
Checking Account	Meant for transactions, not saving. Interest not accrued.
Saving Account	Money stored at the bank; insured by FDIC. However, interest is barely anything compared to inflation.
Money Market Account	Offered by banks and requires a specific minimum balance. Very liquid.
Money Market Funds	Offered by brokerage firms and mutual fund firms. Highly liquid, and consist of very safe securities such as government securities.

Investment Options	Description
Certificate of Deposits (CDs)	Debt instruments offered by banks with specific maturity rates and periods.
US Government Bills	Debt issued by government. Typically safe investment.
Bonds	Forms of debt issued by a corporation, municipality, or government. Most volatile are the corporate bonds which are backed by the faith that the corporation will not default on interest payments.
Mutual Funds	An investment program funded by shareholders that trades in diversified holdings and is professionally managed.
Stocks	The capital raised by a business or corporation through the issue and subscription of shares, ex: between 1982 and 1986, the value of the company's stock rose by 86%; A portion of this as held by an individual or group as an investment, ex: she owned \$3,000 worth of stock; The shares of a particular company, type of company, or industry, ex: blue-chip stocks; Securities issued by the government in fixed units with a fixed rate of interest, ex: government gilt-edged stock.

Closing Discussion (10 mins)

Go through the ratings the students gave each investment option and discuss the similarities and differences between them. Pose this question if there is time: If they had \$2,000, how would they invest it?

Tying it All Together:

In this lesson, students learn about the different kinds of investment options that are available and the variables they can use to evaluate these options.