TYPES OF INVESTMENTS

RECOMMENDED GRADE LEVELS	AVERAGE TIME TO COMPLETE	ARIZONA STANDARDS
9-12	**Anticipatory Set & Facilitation**: 50 minutes **Conclusion/Assessment Options**: 5 minutes	HS.E1.4 Compare the cost and benefits of several types of investments.

LESSON PLAN OBJECTIVES
Upon completion of this lesson, students will be able to: ▪ define key investment terms such as stocks, bonds and mutual funds. ▪ describe key investment strategies including index funds and dollar-cost averaging. ▪ summarize the costs and benefits of investing in stocks, bonds, and mutual funds. ▪ explain the importance of diversifying an investment portfolio.

MATERIALS		
MATERIALS PROVIDED IN THIS LESSON PLAN	MATERIALS SPECIFIC TO THIS LESSON PLAN BUT AVAILABLE AS A SEPARATE DOWNLOAD	MATERIALS TO ACQUIRE SEPARATELY DEPENDING ON OPTIONS TAUGHT
▪ Investment Vocabulary Worksheet ▪ An Introduction to Stocks and Bonds		

RESOURCES
EXTERNAL RESOURCES
External resources referenced in this lesson plan: ▪ https://econedlink.org/resources/financial-markets-concept-video-and-quiz/ ▪ Investopedia video on stocks: https://youtu.be/JrGp4ofULzQ?si=nJatqbqK6bzxhEZW ▪ Investopedia video on bonds: https://youtu.be/tuBDGjSh7ms?si=jB59c8AvaKxxdLHE

LESSON FACILITATION		
PREPARE *Visual indicators to help prepare the lesson*	**INSTRUCT** *Instructions to conduct the lesson facilitation*	**CUSTOMIZE** *Potential modifications to lesson facilitation*

VOCABULARY ACTIVITY

Understanding Key Financial Vocabulary

Approximate time: 15minutes
Materials to prepare:

- Understanding Key Financial Vocabulary, one per student

This worksheet is designed to introduce investment vocabulary to the students.

1. Each student will receive a copy of the worksheet.
2. Give the students about 10 minutes to complete it.
3. Review the answers with the students when time is up.

ANTICIPATORY SET

Financial Markets Video

Approximate time: 10 minutes

1. Tell students they will view a video about financial markets and types of investments. As they view the video, they should listen to determine the types of investments and their characteristics.

2. Show the EconEdlink video at https://econedlink.org/resources/financial-markets-concept-video-and-quiz/.

3. After students have viewed the video, engage the students in the Kahoot! Quiz that is linked on the same page as the video.

RECOMMENDED FACILITATION

Introduction to Stocks and Bonds

Approximate time: 25 minutes
Materials to prepare:

- An Introduction to Stocks and Bonds, one per student

1. Tell students that two of the most common forms of investments are stocks and bonds. Ask if they have heard of savings bonds, the stock mar-ket, or other similar terms related to these two investments. Tell students they will be watching two short videos about stocks and bonds; then they will complete an activity to help

them better understand these two investment options. Show students the following videos and ask these review questions after viewing each one.

- Show video: What are stocks?
  a. What is the difference between a stock and a stockholder? (A stock is an investment or share in a company; a stockholder is the person who purchases or owns that share.)
  b. What happens to the value of the stock held by the stockholder when the value of the company increases? (The value of the stock also increases.)
  c. What would happen to the value of the stock if the value of the company decreases? (The value of the stock would decrease.)
- Show video: Introduction to Bond Investing
  a. What is a bond? (A loan to a company or government entity.)
  b. Why would a government sell bonds? (To raise money for special projects such as highways, schools, parks, etc.)
  c. Why would anyone want to buy a govern-ment bond? (The original amount is paid back with interest, to support projects, to earn income, more conservative invest-ment than stocks, etc.)
  d. Why would a business sell bonds? (To raise money for growth and expansion instead of borrowing from a bank.)

2. Give each student a copy of An Introduction to Stocks and Bonds. Ask them to read the exercise and answer the questions at the end. When they have finished, discuss the answers with the class.

CONCLUSION OPTION

Review Statement

Approximate time: 5 minutes

Remind students that investing can seem complex and hard to understand. Also explain that the types of investment assets available may change over their lifetime but under-standing the basic terms, options, and strategies presented in this lesson will help make the process less intimidating. Also remind them that thoughtful investing requires more than knowing terms and reciting strategies. It requires self-examination, which includes paying careful attention to their financial goals, their tolerance for risk, and their timeline for needing the funds they invest.

ASSESSMENT

Reinforcement Worksheet

Approximate time: 5 minutes

Ask students to write down three things they learned from this lesson. Have them circle one of those three and write a brief paragraph explaining why it is important for them to understand that concept before they start investing.

Vocabulary

	TERM	DEFINITION
1	Asset	A resource owned by an individual or company that has economic value and can provide future benefits.
2	Dividend	A portion of a company's earnings distributed to shareholders, usually in the form of cash or additional stock.
3	Portfolio	A collection of financial investments, such as stocks, bonds, and other assets, held by an individual or institution.
4	Risk	The potential for loss or the uncertainty regarding the return on an investment.
5	Return	The profit or loss generated from an investment, typically expressed as a percentage of the initial investment.
6	Capital	Financial assets or funds that are used to generate income or invest in other assets.
7	Stock	An ownership share or shares of ownership in a corporation.
8	Bond	A fixed income investment where an investor loans money to an entity (government or corporation) for a defined period at a fixed interest rate.
9	Market	A place or system where buyers and sellers interact to exchange goods, services, or financial assets, such as stocks and bonds.
10	Investment	The act of allocating resources, usually money, with the expectation of generating an income or profit over time.

Understanding Key Financial Vocabulary

	Total Points Earned
26	Total Points Possible
	Percentage

Name ____________________

Date ____________________

Class ____________________

Understanding financial vocabulary is crucial for making informed decisions about investments and managing assets. This worksheet will help you familiarize yourself with important financial terms.

Fill in the Blank

Fill in the blank with the correct words.

1. A ________________ is a resource owned by an individual or company that has economic value and can provide future benefits.
2. A _______________ is a portion of a company's earnings distributed to shareholders, usually in the form of cash or additional stock.
3. A ________________ is a collection of financial investments, such as stocks, bonds, and other assets, held by an individual or institution.
4. ________________ refers to the potential for loss or the uncertainty regarding the return on an investment.
5. The profit or loss generated from an investment is called the __________________.

Word bank

Market Portfolio Asset Return Dividend

Investment Bond Capital Stock Risk

Multiple Choice Questions: Choose the correct answer from the choices for each question.

1. What is an ownership share or shares of ownership in a corporation called?

    A) Bond

    B) Stock

    C) Dividend

    D) Capital

2. Which term describes a fixed income investment where an investor loans money to an entity for a defined period at a fixed interest rate?

    A) Market

    B) Portfolio

    C) Bond

    D) Investment

3. What is the term for financial assets or funds that are used to generate income or invest in other assets?

    A) Asset

    B) Risk

    C) Capital

    D) Return

4. Where do buyers and sellers interact to exchange goods, services, or financial assets?

    A) Investment

    B) Market

    C) Portfolio

    D) Dividend

5. What is the act of allocating resources, usually money, with the expectation of generating an income or profit over time?

    A) Risk

    B) Asset

    C) Investment

    D) Return

Open Ended Questions: Answer the following questions in complete sentences:

1. Explain the concept of a dividend and how it benefits shareholders.

2. Describe the role of risk in investing and why it's important to consider.

3. How does a bond differ from a stock? Provide examples.

Answer Key:

Fill in the Blank:

1. Asset
2. Dividend
3. Portfolio
4. Risk
5. Return

Multiple Choice Questions:

1. B) Stock
2. C) Bond
3. C) Capital
4. B) Market
5. C) Investment

Open Ended Questions:

1. **Example Response**: A dividend is a portion of a company's earnings distributed to shareholders, often in the form of cash or additional stock. It benefits shareholders by providing them with a return on their investment without having to sell their shares.
2. **Example Response**: Risk in investing refers to the potential for loss or the uncertainty regarding the return on an investment. It is important to consider because higher risks can lead to higher returns, but they also increase the chance of losing money.
3. **Example Response**: A bond is a fixed income investment where an investor loans money to an entity, such as a government or corporation, for a defined period at a fixed interest rate. A stock, on the other hand, represents ownership in a corporation. For example, buying a government bond means lending money to the government, while buying stock in a company means owning a part of that company.

An Introduction to Stocks and Bonds

	Total Points Earned
30	Total Points Possible
	Percentage

Name ______________________

Date ______________________

Class ______________________

Stocks and bonds are two of the most common types of investments. Like other investment or savings tools, they have different levels of risk and potential rates of return.

Stocks

Stocks represent ownership in a company, with each stock being a unit of ownership, or a share. The value of your investment is tied to the company's performance. If the company grows and earns profits, your stocks appreciate (increase in value). If the company loses money, stocks depreciate (decrease in value), and in extreme cases, can become worthless if the company goes bankrupt. However, your liability is limited to the amount you invested.

Your return on stocks varies based on the price at which you buy and sell. Some stocks also pay dividends, or a portion of the company's profits. Stock values fluctuate due to various factors like company management, economic conditions, and public perception.

"Blue chip" stocks, like those of Coca-Cola or McDonald's, are from large, stable companies and tend to be less volatile. In contrast, penny stocks or shares in emerging companies are riskier but offer the potential for higher returns.

Despite the risk, stocks are a strong long-term investment, with historical returns averaging about 10% annually. Although not guaranteed every year, long-term investors often see the ups and downs balance out over time.

Bonds

Bonds work like loans. When you buy a bond, you're lending money to the issuer, which could be a corporation, government, or agency. In return, you receive interest payments based on the bond's face value (the original value) and the coupon rate (interest rate at issuance). Bonds are traded after issuance, so their price and yield can fluctuate from the face value and coupon rate.

Most bonds have a maturity date, the point when the issuer repays the loan. Bonds can mature in 1 to 40 years, depending on the type. For instance, government bonds typically mature in 10 to 30 years, while corporate bonds vary more widely.

Bond prices are influenced by supply and demand, as well as ratings, which assess the issuer's financial health. Ratings range from AAA (highest) to C or D (lowest). AAA bonds are safer but offer lower returns, while riskier bonds with lower ratings offer higher potential returns but lower prices to attract buyers.

Shorter-maturity bonds often have higher prices than longer-term bonds because they involve less uncertainty. While bonds share some risks with stocks, such as economic downturns and potential defaults, they provide balance in a long-term investment strategy and tend to outperform savings accounts.

Selling Stocks and Bonds

Selling stocks and bonds is accomplished through specialized markets. However, those markets are rather different. Stocks are bought and sold in centralized stock exchanges such as the NASDAQ or the New York Stock Exchange (NYSE) while bonds tend to be bought and sold "over the counter" (OTC), meaning you can buy or sell them from various dealers or even directly from the issuer.

Stocks and bonds are part of a broad category of investments called securities. In the United States, the buying and selling of securities is regulated by the Securities and Exchange Commission (SEC). The overall mission of the SEC is to protect investors and maintain a fair, efficient, orderly market for buying and selling securities.

Summary Questions

a. List two differences between stocks and bonds.

b. Give one reason that you might want to buy a stock.

c. Give one reason that you might want to buy a bond.

d. What determines the prices for stocks and bonds?

e. What is a "blue chip" stock?

Answer Key:

a. Possible answers include stocks are equities/bonds are loans; stocks have unlimited lifespans/bonds have limited lifespans stocks are not rated/bonds are rated; stocks are sold in exchanges/ bonds are sold Over-the-Counter (OTC) by licensed dealers; stocks are volatile/ bonds are more stable; stocks have no set earnings/bonds have set interest rates.

b. Possible answers include good potential rate of return; limited liability.

c. Give one reason that you might want to buy a bond. (Possible answers include fixed rate of return; tend to be more stable than stocks; "safer" than stocks. Prices are set determined by the demand and supply for each individual stock or bond - not set by any one person or entity.

d. Stocks issued by large, financially secure corporations.