Teach Investing in Two Hours!
Investing in Two Hours

Key Principles

- Focus on outcomes
- Start early
- Keep it simple
- Reflects current trends
- Make a decision
Investing in Two Hours

For an e-copy: bit.ly/LGInvesting
Discussion Prompt

• What do you know about investing and where have you learned about it?
ANALYZE: Saving for Retirement

Retiring on Social Security income alone is extremely difficult, which is why it is vital that people save for their own retirement. Analyze the three graphs provided in order to learn more about saving for retirement.

Graph 1 - Growth of Savings Accounts

- Susan invests $5,000 annually between the ages of 25 and 35. In total, she invests $50,000.
- Bill invests $5,000 annually between the ages of 35 and 65. In total, he invests $150,000.
- Chris invests $5,000 annually between the ages of 25 and 65. In total, he invests $200,000.

Growth of savings accounts

$0 | $200,000 | $400,000 | $600,000 | $800,000 | $1,000,000 | $1,200,000
---|---|---|---|---|---|---
25 | $540,741 | $402,070 | $602,070 | $1,142,811
65
NGPF Reference & Game
Stocks, Bonds, & Mutual Funds
6. Crash Course in Investing

Stocks, Bonds, & Mutual Funds

- **Buying a Stock**
  - You buy 1 share of 1.5 billion shares

- **Value of Your Shares**
  - \((\text{Current stock price}) \times (\# \text{ of shares you buy})\)

- **How You Make Money**
  - Receive dividends of \(~$1.00\) per share per year
  - Sell your share at a higher price than you bought it

- **Risk**
  - Volatility of market
  - Price could plummet & not recover
  - Impossible to know when to sell to maximize earnings

www.ngpf.org

Last updated: 3/2/17
● **Buying a Bond**
  ○ You lend $1,000 to PepsiCo when they issue a bond

● **Terms of the Agreement**
  ○ 4.75% interest per year on the amount you lent to them
  ○ Repay your $1,000 at the end of the term (10 years)

● **How You Make Money**
  ○ $47.50 per year for 10 years
  ○ $1,000 at end of term (this was your money in the first place)

● **Risk**
  ○ Company/govt cannot repay you due to bankruptcy
What do you think is riskier: the stock or the bond?
What are some ways you could minimize risk?
The mixture of assets defines the spectrum of returns:
Best, worst, and average returns for various stock/bond allocations, 1926–2013

Source: Vanguard, 2/28/17

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GAME: Let’s Make a Mutual Fund

- You are being given a slip of paper with two pieces of information:
  - Name of a company and its ticker
  - The percentage change in the stock price over the past year ("performance")

- Await your teacher’s directions for your next steps

Teachers: Game support document here
Round 1

- Individual Round
  - Who had a positive performance?
  - Who had a negative performance?
  - Why would you invest in a company that did so poorly?
Round 2

- Find 1 person who has a similar company to yours
  - What do you know about each company?
  - Better to own shares in TWO companies rather than one?
Round 3

- Create a small mutual fund (group of 6 people)
  - What criteria did you use to form your group?
  - Estimate your return had you owned one share of each company
  - Would you describe this as a well diversified portfolio?
Round 4

- Create an index fund (Dow Jones Industrials)
  - Why might it be better to own shares in Dow Jones Industrials, rather than one stock in Dow Jones?
  - How could an investor create MORE diversification in their portfolio?
● What were your ahas/takeaways from this experience?

● Why might this project be engaging for your students?

● What modifications would you make and why?
Interactive Vanguard Target Retirement Fund Allocation Tool

Asset allocation as of 09/30/2017

- 90.01% Stocks
- 9.97% Bonds
- 0.02% Short-term reserves
- 0.00% Alternatives

Vanguard Target Retirement Fund asset allocation tool
Move the slider to see the fund’s asset allocation become more conservative as you approach retirement.
ROLEPLAY: Sign Up for a 401(k)

You've landed your first job out of college and you're excited to hear that your company not only offers a voluntary 401(k) plan, but they will match $0.50 per $1.00 up to 6% of your salary. Thinking back to the personal finance lessons you learned in high school, you know that participating is a MUST; you also remember there are a lot of decisions that lie ahead.

Part I: Envision your retirement

1. Assuming you are 22 and out of college, how many years do you anticipate working before you retire?

2. Picture your ideal retirement. Describe it briefly.
NGPF Activity
Wealthfront Risk Tolerance Assessment

Welcome to Wealthfront! We will ask you a set of questions to get you started.

What is your primary reason for investing?

- General savings
- Retirement
- College Savings
- Other

For an e-copy: wth.fr/NGPFTool
● Why is it important to start investing early for your retirement?
● Explain 2 ways in which an actively managed mutual fund and an index fund differ.
● What makes a target date fund an “easy” choice for a retirement investment?
● Sign Up For a Teacher Account
  ○ Access to Assessments
  ○ Answer Keys

● How?
  ○ Home Page, upper right
  ○ Referral: STATE NAME!

Already have a Teacher Account?
bit.ly/NGPFDrawing