

# 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



**NGPF** | Next Gen  
Personal  
Finance

*8-Hour Workshop*  
**6. Crash Course in Investing**  
*Lesson Guide for Teachers*

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**Learning Objectives**  
Students will be able to

- Recognize the value of young people investing early, regularly, and long-term to extract maximum earnings from their investments
- Explain why asset allocation and diversification are key strategies for successful investing
- Understand the difference between stocks, index funds, mutual funds, and other more or less risky investments and the costs and benefits associated with each
- Explain the difference between active and passive investing
- Learn how to take full advantage of employee sponsored 401(k)s

**Approximate time**

- Lesson length: 120 mins

**Alignment to Jump\$tart Employment & Income Standards**

- 2c: Analyze the monetary & non-monetary value of employee benefits in addition to wages and salaries
- 3e: Examine the benefits of participating in employer-sponsored retirement savings plans and health care savings plans

**Alignment to Jump\$tart Investing Standards**

- 1d: Illustrate how the concept of the time value of money applies to retirement planning
- 1e: Compare consequences of delaying investment for retirement and benefits of investing early
- 2b: Identify types of investments appropriate for different objectives such as liquidity, income and growth
- 2c: Compare total fees for buying, owning and selling various types of stocks, bonds, mutual funds and exchange-traded funds

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**Resources**

	Resources	Questions	Approx Time
1	Lesson Guide for Teachers		

For an e-copy:  
[bit.ly/LGInvesting](https://bit.ly/LGInvesting)

- What do you know about investing and where have you learned about it?

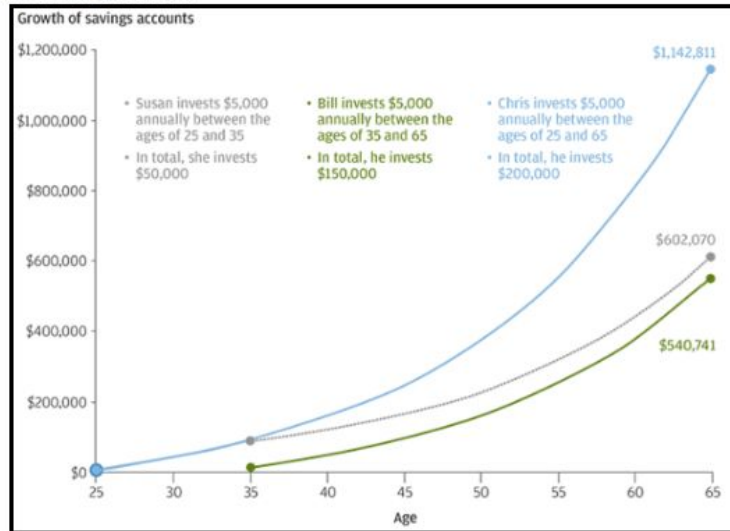
# NGPF Activity

## ANALYZE: Saving for Retirement

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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.

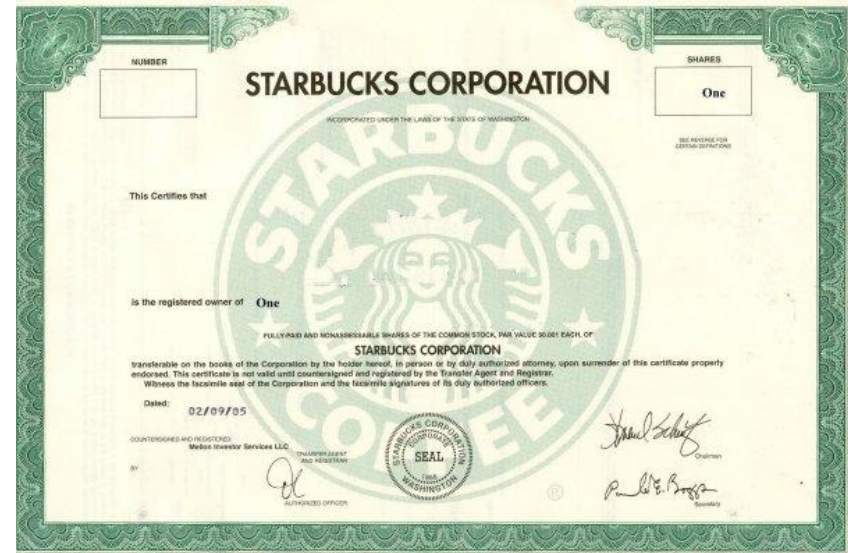
**Graph I - Growth of Savings Accounts**



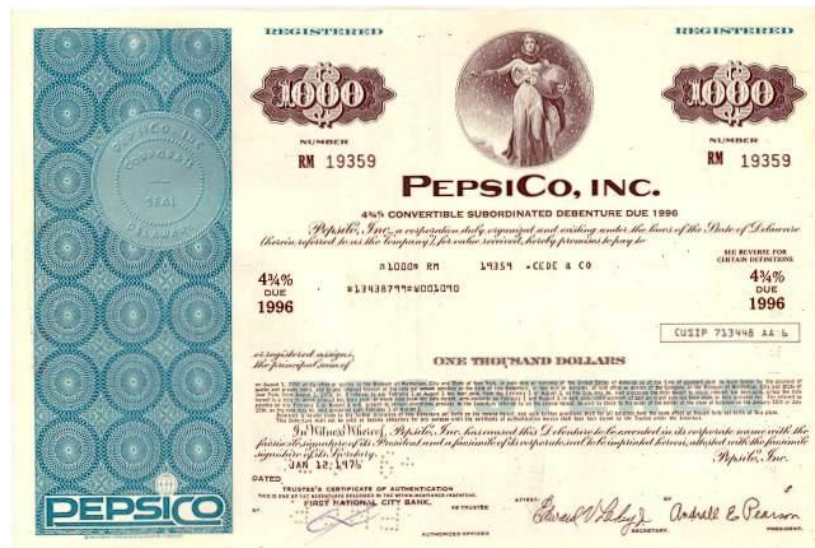
# NGPF Reference & Game Stocks, Bonds, & Mutual Funds



- **Buying a Stock**
  - You buy 1 share of 1.5 billion shares
- **Value of Your Shares**
  - ([Current stock price](#)) X (# 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



- **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

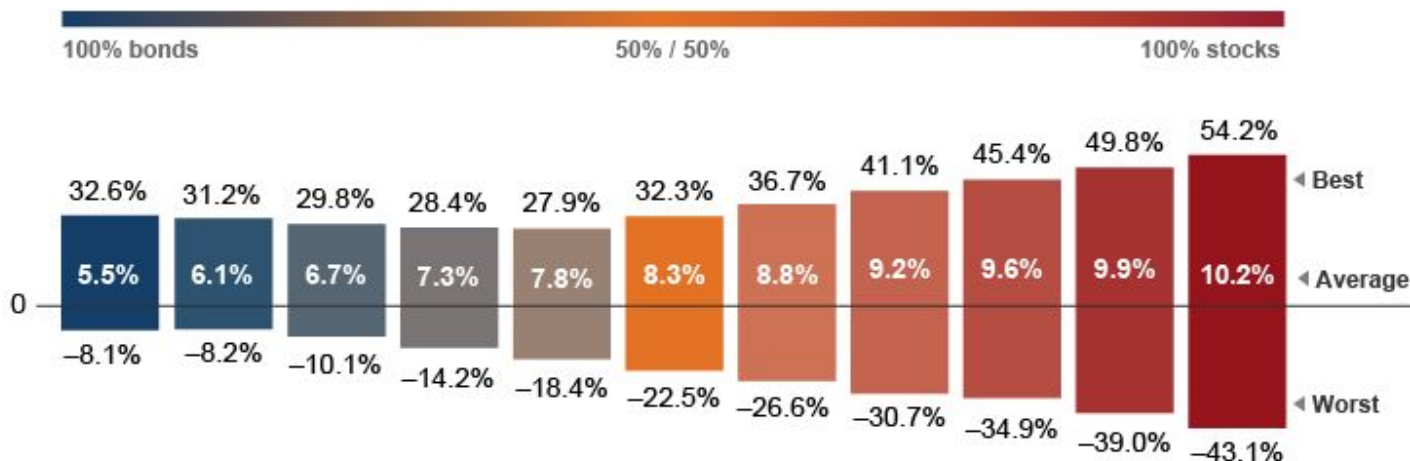




- What do you think is riskier: the stock or the bond?
- What are some ways you could minimize risk?

**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

## 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](#)



# NGPF Game

## Let's Make a Mutual Fund

### 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?

# NGPF Game

## Let's Make a Mutual Fund

### 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?

# NGPF Game

## Let's Make a Mutual Fund

### 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?

# NGPF Game

## Let's Make a Mutual Fund

### 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?



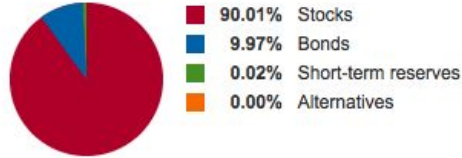
# NGPF Game

## Let's Make a Mutual Fund

- What were your ahas/takeaways from this experience?
- Why might this project be engaging for your students?
- What modifications would you make and why?

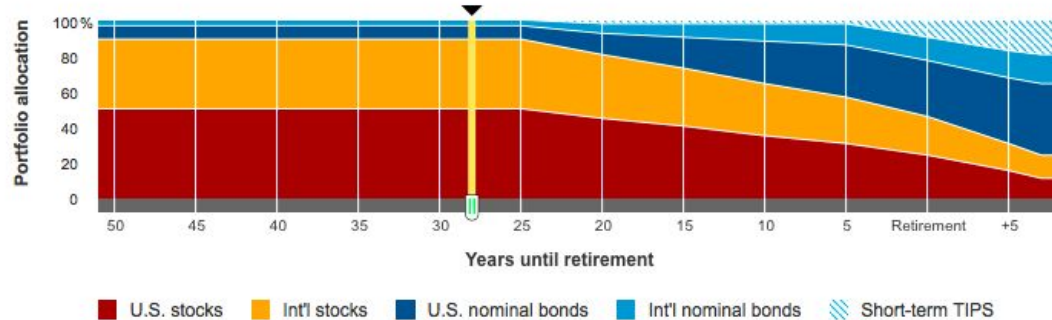
# Interactive Vanguard Target Retirement Fund Allocation Tool

Asset allocation as of 09/30/2017



## Vanguard Target Retirement Fund asset allocation tool

Move the slider to see the fund's asset allocation become more conservative as you approach retirement.



For an e-copy:  
[bit.ly/VanguardTool](http://bit.ly/VanguardTool)

# NGPF Activity

## ROLEPLAY: Sign Up for a 401(k)

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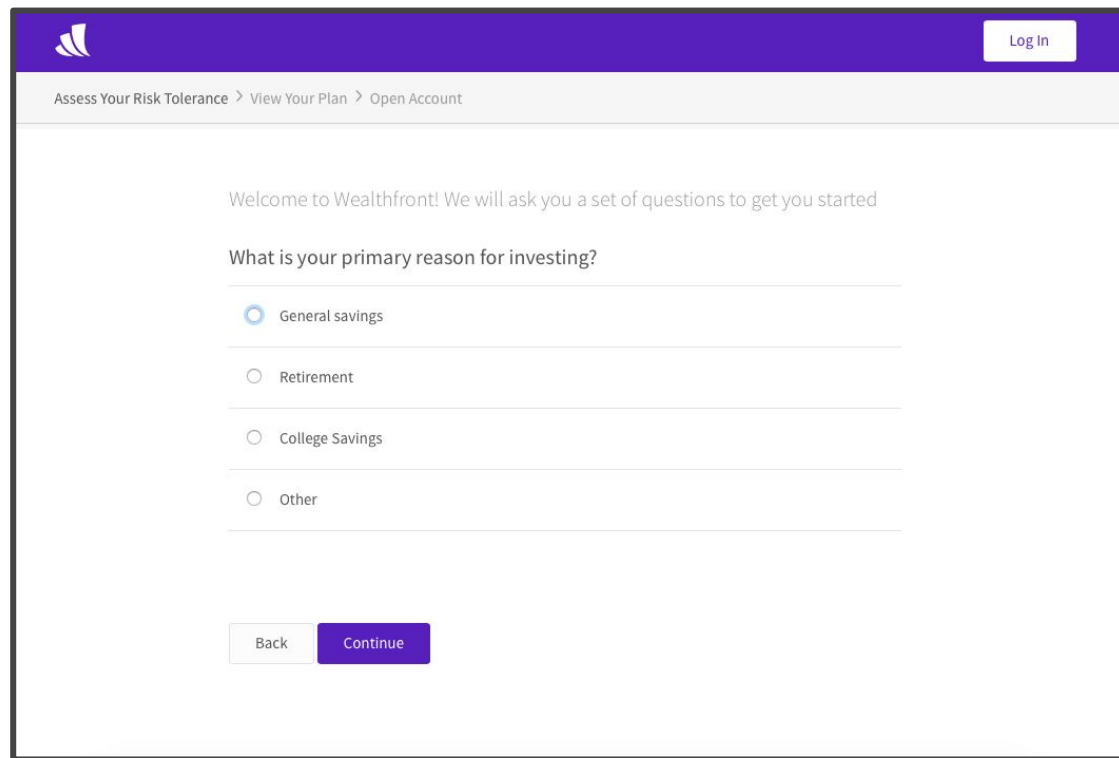
You've landed your first job out of college and you're excited to hear that your company not only offers a voluntary 401(k) plan, but they will match \$0.50 per \$1.00 up to 6% of your salary. Thinking back to the personal finance lessons you learned in high school, you know that participating is a MUST;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



The screenshot shows the Wealthfront website's risk tolerance assessment page. At the top, there is a purple header with the Wealthfront logo on the left and a 'Log In' button on the right. Below the header is a breadcrumb trail: 'Assess Your Risk Tolerance > View Your Plan > Open Account'. The main content area has a light gray background. It starts with a welcome message: 'Welcome to Wealthfront! We will ask you a set of questions to get you started'. Below this is the question 'What is your primary reason for investing?'. There are four radio button options: 'General savings' (which is selected), 'Retirement', 'College Savings', and 'Other'. At the bottom of the form are two buttons: 'Back' and 'Continue'.

Assess Your Risk Tolerance > View Your Plan > Open Account

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

What is your primary reason for investing?

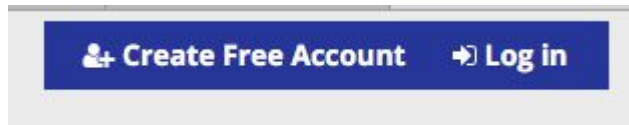
- ☒ General savings
- ☐ Retirement
- ☐ College Savings
- ☐ Other

[Back](#) [Continue](#)

For an e-copy:  
[wlth.fr/NGPFTool](https://wlth.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](https://bit.ly/NGPFDrawing)

[www.ngpf.org](http://www.ngpf.org)

[christian@ngpf.org](mailto:christian@ngpf.org)



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