

OVERVIEW

Think you can't build wealth from your current situation? Think again. It is possible with planning and sound decisions. Warren Buffett is an example of someone who built his wealth, not from luck or an inheritance, but by strategically planning his actions to gradually accumulate assets. Before his teen years he methodically saved and invested his modest earnings from odd jobs. His investment philosophy has paid off over time. In 2008 he was ranked the richest man in the world and is also known for his frugal style and generous charity donations.

What is your investment philosophy? This lesson will provide you with guidelines that will help you to immediately start putting your money to work for you.

LEARNING OUTCOMES

In this lesson students learn about strategies to use when investing.

- ☒ Summarize guidelines for investing.
- ☒ Describe the benefits of dollar cost averaging.
- ☒ Discuss rights and responsibilities related to investing.

Students will use what they learn to set goals for saving and investing.

PREPARATION

- ☐ Order a Module 4 Student Guide for each student. (The Guide is available online to download.)
- ☐ Preview the lesson plan, PowerPoint presentation, learning tasks, and the Module 4 Student Guide, particularly pages 29-40.
- ☐ Print or download the Student Learning Plan for this lesson so each student has a copy.

WHAT YOU WILL NEED

- ☐ Module 4 Student Guide (pages 29-40)
- ☐ PowerPoint Presentation 4-4
- ☐ Student Learning Plan 4-4
- ☐ Success Story: From \$5K to Multi-Millionaire
- ☐ Info Sheet: Regulation Agencies
- ☐ Activity 4.8: Dollar Cost Averaging
- ☐ Challenge 4-B: Set My SMART Investing Goals

NOTES:

Approximate time: 45 minutes (minimum) - 90 minutes (with extension activities)

Resources: These non-profit organizations support investment education:

- Alliance for Educator Education, www.investoreducation.org
- American Association of Individual Investors (AAII), www.aaii.com
- BetterInvesting, www.better-investing.org
- Investing for Your Future, www.investing.rutgers.edu
- Financial Industry Regulatory Authority (FINRA), www.finra.org

Lesson 4-4: Investment Strategy

Learning Tasks	Teaching Notes	Materials
1. Review what you know about building wealth.	<p>PROCEDURE TIME ESTIMATE: 3 minutes</p> <p><input type="checkbox"/> [Slide 2] Review the three basic steps to build wealth and ask the students what they recall about ways to build wealth.</p> <p><input type="checkbox"/> [Slide 3] Preview today's Learning Outcomes in the Student Learning Plan. By the end of this lesson the students should be able to outline a plan for saving and investing.</p>	<p>Module 4 Student Guide</p> <p>Student Learning Plan</p> <p>SLIDES 2 – 3 Steps to Build Wealth 3 – Preview</p>
2. Find out tricks of the trade that millionaires use to build wealth. Identify one or two wealthy habits you can try out now.	<p>PROCEDURE TIME: 10-15 minutes</p> <p><input type="checkbox"/> Read (or ask a student to read) the Success Story: From \$5K to Multi-Millionaire. Debrief by asking the students to identify the strategies Ms. Schreiber used to grow her wealth during her retirement years. Use this case as an example throughout the lesson as you discuss investing strategies.</p> <p><input type="checkbox"/> [Slides 4-5] Share fundamental habits for investing that go beyond what is presented on page 39 of the student guide. [Note: Expanded explanations of each strategy can be found in the slide notes.] As time allows, facilitate a discussion about how each strategy relates to current teen situations. Ask the students what seems doable as well as ask students to identify any potential barriers that might hold back a teen from carrying out any particular strategy.</p> <p><input type="checkbox"/> Either assign as a journal entry or arrange for students to share with a partner the one or two wealthy habits they can put in place now. Challenge the students to summarize what they will start doing differently now to begin practicing each new habit. This task will be useful as students create financial goals and action plans for Challenge 4-B and Challenge 4-C respectively.</p>	<p>STUDENT GUIDE Page 39</p> <p>SLIDES 4-5 – Wealthy Habits</p> <p>ACTIVITY Success Story: From \$5K to Multi-Millionaire</p>
3. Dig a little deeper to figure out ways you can start now to build wealth. Brainstorm ways to make enough money to invest, and generate ideas for investing goals.	<p>PROCEDURE TIME: 10 minutes</p> <p><input type="checkbox"/> [Slide 6] Revisit Step 1 to building wealth by assuring students that it isn't <i>how much</i> they start with; rather, that they <u>get started</u> now to set aside funds to invest in ways that will combat inflation and provide them with financial resources they will need later.</p> <p><input type="checkbox"/> Remind the students that the Pay Yourself First (PYF) principle means they build savings into their spending plan by setting goals to set aside money now to use for something later. This will require the</p>	<p>STUDENT GUIDE Page 39</p> <p>SLIDES 6 – Build Wealth... Step 1 7 – Build Wealth... Step 2</p> <p>ACTIVITY Chart: The Advantage of Starting Early</p>

Lesson 4-4: Investment Strategy

Learning Tasks	Teaching Notes	Materials
	<p>discipline to not spend the money now, to stick to savings goals, to realistically plan so current necessary expenses are covered, and to perhaps change behaviors to plug any nonessential spending leaks. (Note: See additional notes in the Slide Notes.)</p> <p>Option: This is a good opportunity to select and view Spendster videos (www.spendster.org) to analyze confessions about poor spending habits and decisions. Use one of the Spendster stories to calculate how much money was spent on a “spendster” item that could have been used for a savings or investing opportunity.</p> <p><input type="checkbox"/> Allow one or two minutes for students to individually and privately think-write a list of ways they can generate any or more income to save and/or invest. Ask for volunteers to their ideas.</p> <p><input type="checkbox"/> [Slide 7] Remind the students of the value of starting now to save and invest to build wealth. As time allows, revisit the Advantage of Starting Early chart (Student Guide, page 15) to reinforce the advantage of investing money earlier rather than waiting later because they will actually need to invest a larger amount of money to reap similar rewards as starting earlier.</p> <p><input type="checkbox"/> Review the SMART Goal Guide and the DECIDE steps (Student Guide Appendix, page 40), and point out the value of having investing goals and weighing the options to fit investing into a spending plan. Provide examples or ask students to offer examples. (Note: Students will state their own goals when they are assigned to complete Challenge 4-B, and they will decide investing strategies and options when they complete Challenge 4-C.)</p> <p><input type="checkbox"/> Point out that some employers offer employees the option to have money automatically deducted from paychecks for retirement savings funds or health savings accounts (HSA). This is a convenient PYF option that can also provide tax-advantages when the employee chooses a fund in which the contributed amount is not taxed. In some cases, employees who contribute to retirement savings funds receive an additional benefit when the employer makes a matching contribution. (Note: Retirement savings options are examined in more depth in Lesson 4-5.)</p> <p><input type="checkbox"/> Allow one or two minutes for students to privately think-write ideas for goals and actions they might apply as they plan to invest. Inform the students that this is an unrefined list of ideas that will be fine-tuned later in the lesson.</p>	

Lesson 4-4: Investment Strategy

Learning Tasks	Teaching Notes	Materials
<p>4. Discover a strategy to potentially benefit from investing small amounts of money. Complete Activity 4.8: Dollar Cost Averaging to find out more.</p>	<p style="text-align: right;">TIME: 10 minutes</p> <p>PROCEDURE</p> <p><input type="checkbox"/> [Slide 8] Display the investment philosophy of Warren Buffet. Point out that this practical, common-sense approach that many investors apply to their own investing practices.</p> <p>Extension: Assign students to learn more about Warren Buffett's (or another investment guru) history and investment philosophy.</p> <p><input type="checkbox"/> [Slide 9] Revisit Step 3 to review strategies to apply when investing as well as to introduce new strategies to invest for the long term, reinvest all earnings to increase the amount that is earning a return, and use the dollar cost averaging strategy to invest small amounts at regular intervals.</p> <p>EXTENSION: Inform the students that investors have the option to buy stock directly from some companies that participate in Dividend Reinvestment Plans (DRIP or DRP) or Direct Stock Purchase Plans (DSPP). This is a way to start investing with a small amount of money while taking advantage of the potential benefits of compounded earnings. Any dividends earned are automatically reinvested. Rather than sending a dividend to the investor, the dividend is used to purchase additional shares of stock in the company that paid the dividend. This increases the total number of shares owned which in turn has the potential to earn more in dividends. Encourage the students to investigate companies that have DRIP plans. Examples:</p> <ul style="list-style-type: none"> ■ The Walt Disney Company, thewaltdisneycompany.com/content/shareholder-faqs ■ Kellogg Company, investor.kelloggs.com/investor-relations/shareowner-services/direct-stock-purchase-plan/default.aspx <p><input type="checkbox"/> [Slide 10] Point out that dollar cost averaging is a basic investing concept that involves investing a fixed amount at equal intervals and continuing to do so over a long period. The result is that more shares of a stock or mutual fund are purchased when prices are relatively low, and fewer shares are purchased when prices are relatively high. Potentially, this can result in lower average per share cost over time.</p> <p><input type="checkbox"/> Guide the students to examine Whitney's transaction record as they complete Activity 4.8: Dollar Cost Averaging. After they have completed the activity (in pairs or individually), ask them:</p> <ul style="list-style-type: none"> ■ <i>Is the current value of Whitney's investment more or less than what she paid?</i> 	<p>STUDENT GUIDE Pages 36-37</p> <p>SLIDES 8 – Oracle of Omaha 9 – Build Wealth... Step 3 10 – Dollar Cost Average</p> <p>ACTIVITY Activity 4.8: Dollar Cost Averaging Internet access for Extension activity</p>

Lesson 4-4: Investment Strategy

Learning Tasks	Teaching Notes	Materials
<p>5. Select what you think is the most important investing principle. Be prepared to defend your choice.</p>	<p>PROCEDURE TIME: 5-10 minutes</p> <p><input type="checkbox"/> [Slide 11] Read about the <i>7 Paths to Pure Trouble</i> (Student Guide, pages 34-35) to point out what NOT to do when investing.</p> <p><input type="checkbox"/> [Slide 12] Summarize that individuals have responsibilities as well as rights when they take on investments. [Slide 13] Introduce students to agencies where they can seek help or guidance when they encounter questions or problems as they become active investors. The Info Sheet: Regulation Agencies is available to distribute to review the types of agencies and their roles.</p> <p><input type="checkbox"/> Caution students about making important investment decisions based on information received from publications. And websites. Regulations are practically non-existent on what investment newsletters, websites and experts who aren't members of the SEC or FINRA can say. So always review that information with a healthy dose of skepticism.</p> <p><input type="checkbox"/> Arrange for student teams (2-3 students) to work within short time constraints to list the 10 investing principles they consider to be "basic." Then have them synthesize the list to the top 5 principles. Next, challenge them to narrow the list down to just 2 primary principles. Finally, each group to select what they think is the most important investing principle. Allow time for each group to share and defend the final result.</p>	<p>STUDENT GUIDE Pages 1-40</p> <p>SLIDES 11 – 7 Paths to Pure Trouble 12 – Rights and Responsibilities of Investing 13 – Who's Got Your Back</p> <p>ACTIVITY Info Sheet: Regulation Agencies</p>
<p>6. Time to apply investing to your life. Write your own investing goals. Complete Challenge 4-B: Set My SMART Investing Goals.</p>	<p>PROCEDURE In-class or out-of-class assignment</p> <p><input type="checkbox"/> [Slide 14] Have students use their notes from earlier in the lesson to fine-tune goals for saving and investing as they complete Challenge 4-B: My SMART Investing Goals. Encourage them to identify specific actions they will deploy to achieve their short-term, medium-term, and long-term goals. Point out the SMART Goal Guide in the Student Guide Appendix, page 40, for a quick reminder of the goal elements.</p> <p>Note: If you will cover Lesson 4-5, inform the students that their long-term goals will be needed for Lesson 4-5 activities.</p> <p>Extension: If your students set SMART goals (Challenge 1-A) or completed a spending plan (Challenge 1-C) during <i>Module 1: Money Management</i>, allow time for them to revise their goals and/or plans to integrate their new savings and investing goals.</p>	<p>STUDENT GUIDE Page 38, 40</p> <p>SLIDE 14 - Challenge</p> <p>ACTIVITIES Challenge 4-B Set My SMART Investing Goals (opt.) Challenge 1-A: My SMART Goals (opt.) Challenge 1-C: My Spending Plan</p>

Lesson 4-4: Investment Strategy

Learning Tasks	Teaching Notes	Materials
TAKE IT HOME What are the steps your family can take to meet family savings and goals?	PROCEDURE In-class or out-of-class assignment Encourage the students to use what they have learned to contribute to planning for and carrying out a family goal to save and/or invest for something that impacts family members.	
FURTHER STUDY: Set goals to “invest” in your education or training.	PROCEDURE In-class or out-of-class assignment Encourage the students to consider non-tangible ways to invest, such as investing in their own training or education. Provide direction for them to set goals to “invest” in their education or training. Then, guide them to predict how this investment might pay off over the next few years.	STUDENT GUIDE page 19 page 40 Appendix
FURTHER STUDY Learn from the mistakes of others and create a top 10 list of financial “don’ts” that will help someone avoid financial ruin.	PROCEDURE In-class or out-of-class assignment <input type="checkbox"/> Have the students pick a topic of interest and locate their own subject for analysis who have experienced financial scandal/issues. <input type="checkbox"/> Encourage students to share their findings with the class. Based on the collective analyses, tell the students to create a top ten list of financial “don’ts” that would help someone avoid financial ruin.	

TAKING IT HOME

Does your family have a shared savings or investing goal such as owning a home, reducing debt, paying for college, or a family vacation? What are the steps your family can take to meet family savings and goals? Based on what you learned in this lesson, what can you suggest to help achieve the family goal?

FURTHER STUDY

In addition to savings and investing, there are non-tangible ways to invest, such as investing in your own training or education. Set goals to “invest” in your education or training. Then, predict how this investment in you might pay off over the next few years.

FURTHER STUDY

Learn from the mistakes of others and create a top 10 list of financial “don’ts” that will help someone avoid financial ruin.





- ❑ Display this slide as you start today's lesson.



- ❑ Review the three basic steps to build wealth and ask the students what they recall about ways to build wealth.

Preview

Today we will answer these questions:

- What are the basic guidelines for investing?
- Don't I need a massive amount of money to invest?
- When I finally have my own investments, I can just sit back and watch my assets grow in value, right?


Use what you learn today to
set goals for saving and investing.

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- ❑ Preview today's Learning Outcomes in the Student Learning Plan. By the end of this lesson the students should be able to outline a plan for saving and investing.
- ❑ Read (or ask a student to read) the **Success Story: From \$5K to Multi-Millionaire**. Debrief by asking the students to identify the strategies Ms. Schreiber used to grow her wealth during her retirement years. Use this case as an example throughout the lesson as you discuss investing strategies.

Wealthy Habits

1. Take on an “earn to invest” mentality.
2. Focus on your lifestyle and financial goals.
3. Persevere—Don’t be a quitter.
4. Let your mistakes be lessons.
5. Look for value.



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Student Guide, page 39


- Share fundamental habits for investing that go beyond what is presented on page 39 of the student guide. As time allows, facilitate a discussion about how each strategy relates to current teen situations. Ask the students what seems doable as well as ask students to identify any potential barriers that might hold back a teen from carrying out any particular strategy.

Notes:

1. **Take on an “earn to invest” mentality:** Millionaires earn money to invest, so they can increase wealth, not to spend. They value financial freedom over the “bling.” Point out Ms. Shreiber’s (Success Story) strategy to reinvest dividends rather than receive the dividends in cash payments as a way to compound earnings over time.
2. **Focus on your lifestyle and financial goals:** Many millionaires write down their goals every day to make sure they keep their focus. They don’t let distractions keep them from what they want to do.
3. **Persevere—Don’t be a quitter:** Millionaires will do whatever is necessary to keep their focus and achieve their goals. Many times this means sacrificing things in the short-term (meals out, nice possessions, hanging out with friends) so they can achieve their long-term goal, such as starting their own business or inventing a new product.
4. **Let your mistakes be lessons:** Many millionaires fail, sometimes a lot. Instead of giving up, they learn from their mistakes so they can do better the next time.
5. **Look for value:** Just because someone is a millionaire doesn’t mean they stop looking for bargains! Even though millionaires can afford to pay a higher price, they still look for value.

Wealthy Habits

6. Be the one who controls your money.
7. Avoid unnecessary fees.
8. Believe in yourself.
9. Make strategic risks.
10. Be generous.



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Student Guide, page 39

□ (continued from Slide 4)

6. **Be the one who controls your money:** If you don't have a plan for your money, someone else will! Many people lose money simply because they are not paying attention to where their money goes. Millionaires understand that to achieve their goals, they have to understand how their spending habits, debt, and assets fit into their big financial picture.
7. **Avoid unnecessary fees:** Millionaires understand that even small fees can add up over time. Educate yourself on the different fee policies used by the many companies you interact with: credit card, banks, cell phones, online transactions, etc. Pay your bills on time and plan ahead to avoid unwanted charges and expense.
8. **Believe in yourself:** Millionaires don't get where they are by winning the lottery—many of the richest people in America are self-made. Although luck can help, many millionaires made it because they stood behind their ideas, even when others were critical.
9. **Make strategic risks:** Taking the easy road or playing it safe will not always get you to your financial goals. Calculated risks help you earn and grow your money. Do not invest blindly, though—millionaires do their research before risking their money.
10. **Be generous:** Despite stereotypes about greedy, business people, the truth is successful entrepreneurs always find ways to give. When you cultivate generosity in all its forms, you shift your focus to what is called “abundance,” meaning, you start to see how much great stuff is all around you right now. You start to feel wealthy. Generosity builds a good attitude, good will and a good reputation. And that builds success.

- Either assign as a journal entry or arrange for students to share with a partner the one or two wealthy habits they can put in place now. Challenge the students to summarize what they will start doing differently now to begin practicing each new habit. This task will be useful as students create financial goals and action plans for Challenge 4-B and Challenge 4-C respectively.

Build Wealth ... Step #1

1. Make enough money
 - have something **left over** to save for investing
 - **cover** your essential and necessary **expenses**
 - **plug** the spending **leaks**
 - take advantage of **matching funds** from employers
 - **evaluate** your situation every year

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TEACHING THE NEXT GENERATION TO THRIVE

- ❑ Revisit Step 1 to building wealth by assuring students that it isn't *how much* they start with; rather, that they get started now to set aside funds to invest in ways that will combat inflation and provide them with financial resources they will need later.
- ❑ Remind the students that the Pay Yourself First (PYF) principle means they build savings into their spending plan by setting goals to set aside money now to use for something later. This will require the discipline to not spend the money now, to stick to a savings goals, to realistically plan so current necessary expenses are covered, and to perhaps change behaviors to plug any nonessential spending leaks .
 - **Have something left over/Cover expenses/Plug the leaks.** Ask students to brainstorm ways that teens can increase income and reduce spending to have something left over to save. Plug the spending leaks. This is a good opportunity to select and view Spendster videos (www.spendster.org) to analyze confessions about poor spending habits and decisions. Use one of the Spendster stories to calculate how much money was spent on a “spendster” item that could have been used for a savings or investing opportunity.
 - **Matching employer funds.** Inform the students that at some companies, employees who contribute to retirement savings funds receive an additional benefit when the employer makes a matching contribution. Those who don't participate in the savings plan won't receive the additional amount from the employer. (Note: Retirement savings options are examined in more depth in Lesson 4-5.)
 - **Evaluate situation.** Whenever a person's life situation changes, or at least once a year, re-evaluate ways to increase or continue setting aside money to save and invest. Ask students to provide examples of life situation changes that are relevant to teens and young adults. Examples: getting a job, losing a job, pay raise, moving away from home, taking on responsibilities of owning a car, having a child.
- ❑ Allow one or two minutes for students to individually and privately think-write a list of ways they can generate any or more income to save and/or invest. Ask for volunteers to share ideas with the whole class.



Build Wealth ... Step #2

2. Have a plan to save and invest.
 - set long-term saving and investing **goals**
 - decide your best investing **options** and strategies
 - include saving and investing in **spending plan**
 - take advantage of **payroll savings plans**
 - contribute to **tax-advantage savings plans**

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- ❑ Remind the students of the value of starting now to save and invest to build wealth. As time allows, revisit the Advantage of Starting Early chart (Student Guide, page 15) to reinforce the advantage of investing money earlier rather than waiting later because they will actually need to invest a larger amount of money to reap similar rewards as starting earlier.
- ❑ Review the SMART Goal Guide and the DECIDE steps (Student Guide appendix, page 40), and point out the value of having investing goals and weighing the options to fit investing into a spending plan. Provide examples or ask students to offer examples. (Note: Students will state their own goals when they are assigned to complete Challenge 4-B, and they will decide investing strategies and options when they complete Challenge 4-C.)
- ❑ Point out that some employers offer employees the option to have money automatically deducted from paychecks for retirement savings funds or health savings accounts (HSA). This is a convenient PYF option that can also provide tax-advantages when the employee chooses a fund in which the contributed amount is not taxed. In some cases, employees who contribute to retirement savings funds receive an additional benefit when the employer makes a matching contribution. (Note: Retirement savings options are examined in more depth in Lesson 4-5.)
- ❑ Allow one or two minutes for students to privately think-write ideas for goals and actions they might apply as they plan to invest. Inform the students that this is an unrefined list of ideas that will be fine-tuned later in the lesson.

The Oracle of Omaha

Famous Investor, Warren Buffet's investment philosophy:

*Invest in top quality, profitable companies
with products you understand, good managers,
and lots of cash to reinvest in the company...
and hold them forever.*

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- Display the investment philosophy of Warren Buffet. Point out that this is a practical, common-sense approach that many investors apply to their own investing practices.

Trivia: With a net worth north of \$40 billion, Warren Buffett is the world's most famous investor and the third richest man in the world. This famously frugal billionaire's lifestyle didn't change after he became rich. He still lives in the same modest Omaha, Nebraska, house he bought in 1958. And one of his favorite meals is still a McDonald's hamburger and cherry Coke.

Extension: Assign students to learn more about Warren Buffett's (or another investment guru) history and investment philosophy.

Build Wealth ... Step #3

3. Invest to put money to work for you.
 - **know** what you are investing in
 - think **long term**
 - take some risk to **beat inflation**
 - pay attention to your **risk tolerance**
 - take advantage of **compound interest**
 - **diversify** your investments
 - **reinvest** all earnings
 - **dollar cost average**

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- ❑ Revisit Step 3 to review strategies to apply when investing as well as to introduce new strategies to invest for the long term, reinvest all earnings to increase the amount that is earning a return, and use the dollar cost averaging strategy to invest small amounts at regular intervals.
 - Think long-term. Building up a savings fund doesn't happen over night. Slow and steady savings over time will build up a stash of money to have on hand for those big-ticket items later as in the case of saving for college expenses, a trip, or a car.
 - Another point to consider is that there are times when actions (or inactions) have expensive consequences. For example, not regularly maintaining the condition of a car or motorcycle may lead to expensive repairs later, which uses money that could have been invested. Or someone who tends to job hop may not be receiving the long-term benefits of pay raises or employee benefits that are offered to long-term employees.

EXTENSION: Inform the students that investors have the option to buy stock directly from some companies that participate in Dividend Reinvestment Plans (DRIP or DRP) or Direct Stock Purchase Plans (DSPP). This is a way to start investing with a small amount of money while taking advantage of the potential benefits of compounded earnings. Any dividends earned are automatically reinvested. Rather than sending a dividend to the investor, the dividend is used to purchase additional shares of stock in the company that paid the dividend. This increases the total number of shares owned which in turn has the potential to earn more in dividends. Encourage the students to investigate companies that have DRIP plans. Examples:

- The Walt Disney Company, thewaltdisneycompany.com/content/shareholder-faqs
- Kellogg Company, investor.kelloggs.com/investor-relations/shareowner-services/direct-stock-purchase-plan/default.aspx

Dollar Cost Average

- Invest a set amount of money at regular intervals.
- Start receiving benefits of compounding.
- Stop worry about investing at high or low prices.
- Lower the cost per share.



Activity 4.8 Dollar Cost Averaging

Is the current value of Whitney's investment more (>) or less (<) than the total of what she paid?

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Student Guide, pages 36-37

- ❑ Point out that dollar cost averaging is a basic investing concept that involves investing a fixed amount at equal intervals and continuing to do so over a long period. The result is that more shares of a stock or mutual fund are purchased when prices are relatively low, and fewer shares are purchased when prices are relatively high. Potentially, this can result in lower average per share cost over time.
- ❑ Guide the students to examine Whitney's transaction record as they complete **Activity 4.8: Dollar Cost Averaging**. After they have completed the activity (in pairs or individually), ask them the following question:

Is the current value of Whitney's investment more or less than what she paid?



Student Guide, pages 34-35

- ❑ Read about the *7 Paths to Pure Trouble* to point out cautions for what NOT to do when investing.

Rights and Responsibilities of Investing

<p>You have the right to ...</p> <ul style="list-style-type: none"> • Select your own or change your advisor or brokerage firm. • Know if your advisor has a conflict of interest. • Receive timely and accurate information. • Receive the best recommendation based on your stated investing goals. • Be treated ethically. • Report investing problems regarding brokers or brokerage firms. • Have your financial data protected. 	<p>You have the responsibility to ...</p> <ul style="list-style-type: none"> • Be informed. Read all literature, including the investment prospectus before making decisions. • Verify the credentials of the person or firm who will handle your investments. • Read and keep your statements. • Set and communicate your investing goals. • Report any unauthorized trades. • Promptly report problems to regulators. • Protect your financial data. • Pay taxes on any earnings. • Carefully consider risks, fees, and objectives before making decisions.
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- ❑ Summarize that individuals have responsibilities as well as rights when they take on investments. Inform students that a prospectus is a written document that provides details about the specific investment such as a mutual fund or company stock. Stock, bond, and other related investments that are offered in the United States must have a prospectus filed with the Securities and Exchange Commission (SEC).

Note: The Financial Industry Regulatory Authority (FINRA) is a resource where investors can find more details about investor rights and responsibilities as well as assistance with investing problems. www.FINRA.org

- ❑ FINRA has listed the four most frequently complaints filed by investors:
 - **Misrepresentation:** untrue representations or omissions of material facts relating to the investment.
 - **cold-calling:** unsolicited or unwanted phone calls using high-pressure, persistent tactics.
 - **Unsuitability:** an investment made by a broker that is inconsistent with the investor's investing objectives and profile.
 - **unauthorized trading:** sale or purchase of securities without the investor's prior knowledge and authorization.



Who's Got Your Back?

The Cops

- Securities and Exchange Commission (SEC)
- Financial Industry Regulatory Authority, INC (FINRA)
- state securities regulators

The Clean-Up Crew

- Federal Deposit and Insurance Corporation (FDIC)
- Securities Investor Protection Corporation (SIPC)

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- ❑ Introduce students to agencies where they can seek help or guidance when they encounter questions or problems. The **Info Sheet: Regulation Agencies** is available to distribute for students to review the types of agencies and their roles.
- ❑ Caution students about making important investment decisions based on information received from publications. And websites. Regulations are practically non-existent on what investment newsletters, websites and experts who aren't members of the SEC or FINRA can say. So always review that information with a healthy dose of skepticism.
- ❑ Arrange for student teams (2-3 students) to work within short time constraints to list the 10 investing principles they consider to be "basic." Then have them synthesize the list to the top 5 principles. Next, challenge them to narrow the list down to just two primary principles. Finally, each group to select what they think is the most important investing principle. Allow time for each group to share and defend the final result.

Challenge

Set personal savings and investing goals:

- short-term
- medium-term
- long-term



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HIGH SCHOOL FINANCIAL PLANNING PROGRAM

Student Guide, page 38.

- ❑ Have students use their notes from earlier in the lesson to fine-tune goals for saving and investing as they complete **Challenge 4-B: Set My SMART Investing Goals**. Encourage them to identify specific actions they will deploy to achieve their short-term, medium-term, and long-term goals. Point out the SMART Goal Guide in the Student Guide Appendix, page 40, for a quick reminder of the goal elements.

Note: If you will cover Lesson 4-5, inform the students that their long-term goals will be needed for Lesson 4-5 activities.

Extension: If your students set SMART goals (Challenge 1-A) or completed a spending plan (Challenge 1-C) during *Module 1: Money Management*, allow time for them to revise their goals and/or plans to integrate their new savings and investing goals.



OVERVIEW

Think you can't build wealth from your current situation? Think again. It is possible with planning and sound decisions. Warren Buffett is an example of someone who built his wealth, not from luck or an inheritance, but by strategically planning his actions to gradually accumulate assets. Before his teen years he methodically saved and invested his modest earnings from odd jobs. His investment philosophy has paid off over time. In 2008 he was ranked the richest man in the world and is also known for his frugal style and generous charity donations.

What is your investment philosophy? This lesson will provide you with guidelines that will help you to immediately start putting your money to work for you.

LEARNING OUTCOMES

In this lesson you will learn about strategies to use when investing.

- ☒ Summarize guidelines for investing.
- ☒ Describe the benefits of dollar cost averaging.
- ☒ Discuss rights and responsibilities related to investing.

Use what you learn to set goals for saving and investing.

LEARNING TASKS

These tasks match pages 29-40 in Student Guide 4.

__ 1.	Review what you know about building wealth.
__ 2.	Find out tricks of the trade that millionaires use to build wealth. Identify one or two wealthy habits you can try out now.
__ 3.	Dig a little deeper to figure out ways you can start now to build wealth. Brainstorm ways to make enough money to invest, and generate ideas for investing goals.
__ 4.	Discover a strategy to potentially benefit from investing small amounts of money. Complete Activity 4.8: Dollar Cost Averaging to find out more.
__ 5.	Select what you think is the most important investing principle. Be prepared to defend your choice.
__ 6.	Time to apply investing to your life. Write your own investing goals. Complete Challenge 4-B: Set My SMART Investing Goals .



TAKING IT HOME

Does your family have a shared savings or investing goal such as owning a home, reducing debt, paying for college, or a family vacation? What are the steps your family can take to meet family savings and goals? Based on what you learned in this lesson, what can you suggest to help achieve the family goal?



FURTHER STUDY

In addition to savings and investing, there are non-tangible ways to invest, such as investing in your own training or education. Set goals to "invest" in your education or training. Then, predict how this investment in you might pay off over the next few years.



FURTHER STUDY

Learn from the mistakes of others and create a top 10 list of financial "don'ts" that will help someone avoid financial ruin.

FROM \$5K TO MULTI-MILLIONAIRE

Anne Scheiber was 47 years old when she retired from her job as an IRS auditor. With a pension income of only \$3,150 a year during her retirement, she hadn't been rolling in the dough. But by pinching pennies, she had saved \$5,000 to invest.

She chose top companies making products she admired, such as Coca-Cola and Bristol-Myers, and never sold them. She was famously frugal too, often stuffing her purse with food the companies served at their annual shareholder meetings.

Anne never added more money to her account. She just reinvested the dividends she earned. By the time she died at age 101, her investments were worth nearly \$22 million. And virtually all of it was left to a nearby college she had never even visited.

Follow-up questions:

- ▶ *Where or how did Ms. Schreiber get money to use for investing?*

- ▶ *What strategies did Ms. Schreiber use to grow her wealth during her retirement years?*

Since the Wall Street crash of 1929, federal and state governments have worked to better protect investors. Laws were established to stamp out investment fraud and help the victims. They also address what companies and investment pros can say to you, to ensure you get a fair and balanced presentation of your options. (That's why there's so much fine print at the bottom of investment ads.) Here are the key players to know:

- **The Securities and Exchange Commission (SEC)** (www.sec.gov) is king of the hill. This government agency oversees all the investment industry players. Top priorities include making sure companies share all important investment-related information with investors, enforcing federal securities laws, and eliminating investment fraud. Many players in the industry must file a variety of documents with the SEC—all of which are available for free on their website.
- **Financial Industry Regulatory Authority, Inc. (FINRA)** (www.finra.org) is an organization of brokerages, investment banks and mutual fund companies. Its job is to keep its members out of trouble with the SEC. It tests and licenses investment professionals, sets rules for members' behavior, and monitors their follow-through. It also investigates and disciplines members who break the rules.
- **Each state** also has its own securities regulators that license investment firms and professionals, create and enforce investor protection laws, and investigate securities fraud. Find each state's securities regulating agency at on the North American Securities Administrators Association website (www.nasaa.org).
- **The Federal Deposit and Insurance Corporation (FDIC)** (www.fdic.gov) and **National Credit Union Administration (NCUA)** (www.ncua.gov) are independent federal agencies. Their job is to reimburse individuals for any lost funds in checking and savings products at member banks. Theft, fraud, the bank's bankruptcy—they'll reimburse depositors up to \$250,000 per account.
- **The Securities Investor Protection Corporation (SIPC)** is a non-profit organization that will reimburse for losses in certain types of securities, up to \$500,000, at member investment the firm goes bankrupt. Check to see if a firm is a member of at www.sipc.org.

Activity 4.8: Dollar Cost Averaging

NAME:

DATE:

Directions:

Whitney decides to invest \$50 in Rockstar Mutual Fund every month. Here's a break-out of the transactions for the year.

Date of Investment	Amount of Investment	Cost Per Share	Number of Shares Bought
Jan. 5	\$50	\$15.23	3.28
Feb. 5	\$50	\$16.70	2.99
Mar. 5	\$50	\$16.04	3.12
April 5	\$50	\$14.63	3.42
May 5	\$50	\$13.11	3.81
June 5	\$50	\$12.84	3.89
July 5	\$50	\$10.79	4.63
Aug. 5	\$50	\$11.24	4.45
Sept. 5	\$50	\$11.97	4.18
Oct. 5	\$50	\$14.52	3.44
Nov. 5	\$50	\$16.87	2.96
Dec. 5	\$50	\$16.45	3.04
Total	\$	\$	\$

	By year's end, what is the total amount Whitney paid for the fund shares?
	How many shares does Whitney own at the end of the year?
	What is the value of Whitney's fund on December 5?
	What is the average price Whitney paid per share?
	Using the cost per share amounts, what is the average cost per share for those 12 amounts?
	Is the current value of Whitney's investment more or less than the amount she invested?

Activity 4.8: Dollar Cost Averaging

NAME: **KEY**

DATE:

Directions:

Whitney decides to invest \$50 in Rockstar Mutual Fund every month. Here's a break-out of the transactions for the year.

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Oct. 5	\$50	\$14.52	3.44
Nov. 5	\$50	\$16.87	2.96
Dec. 5	\$50	\$16.45	3.04
Total	\$600 (i)	\$170.39 (c)	43.21 (s)

\$600	By year's end, what is the total amount Whitney paid for the fund shares? (i)
43.21	How many shares does Whitney own at the end of the year? (s)
\$710.81	What is the value of Whitney's fund on December 5? (s) $43.21 \times \$16.45$
\$13.89*	What is the average price Whitney paid per share? (i) $\$600 / (s) \43.21 *For this example, the cost does not take into account any brokerage transaction fees.
\$14.20	Using the cost per share amounts, what is the average cost per share for those 12 amounts? (c) $\$170.39 / 12$
More	Is the current value of Whitney's investment more or less than the amount she invested? $\$710.81$ (current value) - $\$600$ (invested) = $\$110.81$ increase

Challenge 4-B: Set My SMART Investing Goals

NAME:

DATE:

As you work through the lessons and activities in NEFE's High School Financial Planning Program, you will complete challenge activities that can be compiled into a personal financial planning portfolio. For this challenge task, write your own savings and investing goals using the SMART model. As your life circumstances change, refer to your goals to check progress, modify the goals, or write new goals.

Directions:

Apply what you have learned about goal setting as you complete this challenge. Write at least one short-term goal, one medium-term goal, and one long-term personal finance goal for savings and/or investing using the SMART model.

Be sure to create goals that have meaning to you based on your current circumstances and values.

- ☐ 1. Preview the criteria listed in the Scoring Guide to plan for your assessment.
- ☐ 2. Brainstorm ideas for personal financial goals that can be classified as short-term, medium-term, and long-term. If you completed Challenge 1-B in *Module 1: Money Management*, review your SMART financial goals for this challenge. If you have more than one goal, rank them from most important to least important so you know where to focus if you can't tackle them all right now.
- ☐ 3. Review the SMART Goals chart to establish details for each of your goals (Module 1 Student Guide, page 15). Write your SMART goals taking into consideration how you will prioritize your actions as you work to achieve all of the goals at the same time.
- ☐ 4. Self-assess your work using the Scoring Guide. Optional: Ask a classmate to peer assess your work using the Scoring Guide to evaluate your work.

1	
2	
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Challenge 4-B: Set My SMART Investing Goals

NAME: _____

DATE: _____

Required Criteria		Status		
Content				
1.	You list one short-term saving or investing goal. (zero – three months)	acceptable	not acceptable	
2.	You list one medium-term saving or investing goal. (three months – one year)	acceptable	not acceptable	
3.	You list one long-term saving or investing goal. (more than a year)	acceptable	not acceptable	
Status Rating Key: “A” = Acceptable / “NA” = Not Acceptable		Short Term	Medium Term	Long Term
4.	Each goal states one <u>specific</u> outcome and the specific action needed to fulfill the outcome.			
5.	Each goal states benchmarks and the expected evidence to <u>measure</u> when the goal has been achieved.			
6.	You justify that each goal is <u>attainable</u> and realistic based on your current circumstances and the resources that you expect to be available.			
7.	You summarize how each goal is <u>relevant</u> and meaningful to your current life situation and values.			
8.	Each goal includes a <u>timeline</u> with a target completion date and milestone dates for any significant mid-point actions.			
General				
9.	Documentation is neat and easy to read.	acceptable	not acceptable	
10.	Your calculations are accurate.	acceptable	not acceptable	

Feedback: _____

Score: _____ / _____