



Educator Guide

Building Savings: Investment Options

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Objectives:

- Explain the Difference Between Saving and Investing
- Identify Types of Investments

Resources for this Lesson:

- Educator Guide: *Building Savings: Investment Options*
- PowerPoint Presentation: *Building Savings: Investment Options*
- Content Guide: *Building Savings* PDF
- Work Sheets:
 - *Shopping For Savings Accounts* Work Sheet

Participant Packets Should Include:

- PowerPoint Presentation Handout (3 slides per page) - *Building Savings: Investment Options*
- *Shopping For Savings Accounts* Work Sheet

Key Points**For Educator: What to Say****For Learner:**

<p>Slide #1: Building Savings: Investment Options</p>	<p>Introduce Yourself.</p>	<p>Participant Introductions.</p>
<p>Slide #2: Objectives:</p> <ul style="list-style-type: none"> ▪ Explain the Difference Between Saving and Investing ▪ Identify Types of Investments 	<p>Explain: By the end of this session, you will be able to explain the difference between saving and investing and identify types of investment options.</p>	
<p>Slide #3: Saving and Investing What is the difference between saving money and investing money?</p> <ul style="list-style-type: none"> • Saving money is setting aside money for future use. • Investing money is the use of money to make more money. 	<p>Question: <i>What is the difference between saving money and investing money?</i></p> <p>Instructor Note: Bullets will appear upon a second mouse click.</p> <p>Explain: Saving money is setting aside money for future use. Investing money is the use of money to make more money.</p>	<p>Participant response.</p>

Key Points

For Educator: What to Say

For Learner:

<p>Slide #4: Investments</p> <p>A financial option that you purchase for future income or financial benefit. It is important because it provides retirement options and financial security.</p> <p>Examples: Stocks Bonds Mutual Funds Real Estate Retirement Plans</p>	<p>Explain: An investment is a financial option that you purchase for future income or financial benefit. It is important because it provides retirement options and financial security.</p> <p>Question: <i>What are examples of investment products?</i></p> <p>Instructor Note: Bullets will appear upon a second mouse click.</p> <p>Explain: Examples include stocks, bonds, mutual funds, real estate and retirement plans.</p> <p><i>(slide 5)?</i></p> <p>Transition Statement: You may not be familiar with all of these investment products. In this lesson, we will discuss these investment options in detail. First, let's discuss the benefits and risks you take when you invest.</p>	<p>Participant response.</p>
<p>Slide #5: Investments</p> <ul style="list-style-type: none">▪ Investments are different than savings.▪ There is a greater risk of losing your money in an investment because it is not backed by the FDIC.▪ The greater the risk you take, the greater the possibility of return on investment.▪ The key is Time!	<p>Explain: When you invest your money, there is a greater risk of losing it than if you put your money in a savings or other deposit account backed by the FDIC. Investments are not backed by FDIC and there is a possibility you may lose the entire amount you invest if the investment does not perform well.</p> <p>Because of the risk you take, there is also the opportunity for your investment to earn more than your regular savings account. The greater the risk, the greater the expected return on investment.</p> <p>The key to investing is time! The longer you can leave</p>	

Key Points

For Educator: What to Say

For Learner:

<p>Slide #6: Investments</p> <p>How do you make money from investments?</p> <ul style="list-style-type: none">▪ Selling your Investments▪ Earning Dividends	<p>your money invested, the better your investment will do. (slide 6)?</p> <p>Question: <i>How do you make money from investments?</i></p> <p>Instructor Note: Bullets will appear upon a second mouse click.</p> <p>Explain: You can make money on investments by selling them for more than you paid for them or by earning dividends.</p> <p>Question: <i>What does it mean to earn dividends? How is this different than earning interest?</i></p> <p>Explain: Dividends are a form of income that shareholders as owners of corporations receive for each share of stock that they hold. These payments -- from a corporation's profits or from its accumulated retained earnings -- are in cash or other assets (excluding the corporation's own stock).</p> <p>Transition Statement: This leads us into the types of investments, the first being stocks.</p>	<p>Respond to question.</p> <p>Respond to question.</p>
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Key Points

For Educator: What to Say

For Learner:

<p>Slide #7: Stocks</p> <p>A security that represents ownership in a corporation. If you own stock, you own a piece or "share" of that company.</p> <ul style="list-style-type: none">▪ Periodic dividends▪ Sell the stock <p>Prices of stocks vary greatly.</p>	<p>(slide 7)?</p> <p>Question: <i>What are stocks?</i></p> <p>Instructor Note: Slide information will appear upon a second mouse click.</p> <p>Explain: A stock is a security that represents ownership in a corporation. If you own stock, you own a piece or "share" of that company. For example, if you buy 10,000 shares in a company with 1 million shares outstanding, you own 1% of the shares outstanding.</p> <p>If the company does well, you might receive periodic dividends. Dividends are part of a company's profits that it gives back to you as a shareholder. Another way to make money from stocks is to sell them at a profit. If the company does well, others might be willing to buy your stock at a higher price than you paid.</p> <p>Remember, if a company you invest in does poorly, you may lose your money. Choose wisely when you invest in a company and understand you risk losing the money.</p> <p>The price of stocks varies greatly. Stock in Intel may cost \$100+ per share. On the other hand, if you buy stock in a new company (which creates a higher risk), the stock may be much less expensive.</p> <p>Question: <i>Do you have any questions about stocks?</i></p> <p>Transition Statement: Let's discuss another type of</p>	<p>Respond to question.</p> <p>Participant questions.</p>
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Key Points

For Educator: What to Say

For Learner:

<p>Slide #8: Bonds</p> <p>A certificate which is evidence of a debt on which the issuer (corporations and federal, provincial and municipal governments) promises to pay the holder a specified amount of interest for a specified length of time, and to repay the loan on its maturity.</p> <ul style="list-style-type: none">▪ Wide variety of purchase amount options.▪ Wide variety in maturity lengths. <p><i>(Slide #8 continued on next page)</i></p>	<p>investment – Bonds.</p> <p>(slide 8)?</p> <p>Question: <i>What are bonds?</i></p> <p>Instructor Note: Slide information will appear upon a second mouse click.</p> <p>Explain: A bond is a certificate which is evidence of a debt on which the issuer promises to pay the holder a specified amount of interest for a specified length of time, and to repay the loan on its maturity. Bonds are issued by corporations and by federal, provincial and municipal governments.</p> <p>When you purchase a bond, you are loaning money to a corporation or to the government for a certain period of time, called a term. The bond certificate promises the corporation or government will repay you on a specific date, usually with a fixed rate of interest.</p> <p>Most corporate bonds have a \$1000 face value, while some government bonds carry a much higher value. Savings bonds can be purchased for sums under \$100, so there is a wide variety of options. When the bond matures, the lump sum is returned to the investor along with the earned interest.</p> <p>Maturities range significantly also, from 1 month for some municipal notes to 40+ years for some corporate bonds.</p>	<p>Respond to question.</p>
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Key Points**For Educator: What to Say****For Learner:**

<p>Slide #9: Mutual Funds</p> <p>A professionally-managed collection of money that an investment company invests in stocks, bonds and other products. These funds offer the advantages of diversification and professional management.</p> <ul style="list-style-type: none"> ▪ Higher return than savings accounts. ▪ Lower return than stocks and bonds. ▪ Less risk due to diversification. 	<p>(slide 9)?</p> <p>Question: <i>What is a mutual fund?</i></p> <p>Instructor Note: Slide information will appear upon a second mouse click.</p> <p>Explain: A mutual fund is a professionally-managed collection of money that an investment company invests in stocks, bonds and other products. These funds offer investors the advantages of diversification and professional management.</p> <p>The key to mutual funds is diversification. You spread the risk of losing all of your savings. Rather than all of your money being in one corporation, the investment company will diversify your fund by investing a portion in low-, and high-risk stocks, short-, and long-term bonds, and other diverse products.</p> <p>Mutual funds generally have a higher return over the long term than a regular savings account – however, lower return than stocks and some bonds. There is also less risk in mutual funds (than in stocks and bonds) because you can diversify your investment.</p>	<p>Respond to question.</p>
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Key Points

For Educator: What to Say

For Learner:

<p>Slide #10: Other Investments</p> <p>What do you think will be the biggest investment many of you will make in your lifetime?</p> <ul style="list-style-type: none">▪ Homeownership▪ Retirement Investments<ul style="list-style-type: none">○ 401 K Accounts○ Roth Accounts○ Roth IRA Accounts○ Social Security	<p>(slide 10)?</p> <p>Question: <i>What do you think will be the biggest investment many of you will make in your lifetime?</i></p> <p>Instructor Note: “Homeownership” will appear upon a second mouse click.</p> <p>Explain: For most people, it is owning a home. Owning a home is an investment because the home generally increases or appreciates in value.</p> <p>Instructor Note: “Retirement Investments” will appear upon a third mouse click.</p> <p>Transition Statement: Retirement savings are also a big investment that many of you will make.</p> <p>(slide 11)?</p> <p>Question: <i>Do any of you have a retirement savings account now?</i></p> <p>Explain: Retirement investments often are offered in the workforce. Generally they grow tax free until the money is withdrawn during retirement. Retirement plans allow you to choose from different types of investments depending on how much risk you want to take. Some</p>	<p>Discussion: Participants share their ideas of the biggest investment they will make.</p> <p>Respond by show of hands.</p>
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Key Points**For Educator: What to Say****For Learner:**

<p>Slide #12: What is Right for You?</p> <ul style="list-style-type: none"> • How do you feel about risk? • How much money do you want to have? • How long can you invest before using the money? 	<p>Social Security was never meant to be the sole source of income in retirement. It is often said that a comfortable retirement is based on a "three-legged stool" of Social Security, pensions and savings. American workers should be saving for their retirement on a personal basis and through employer-sponsored or other retirement plans.</p> <p>(slide 13)?</p> <p>Explain: OK, we've talked about all these types of investments, but how do you decide which one is right for you? Begin by asking yourself these three questions:</p> <p>Instructor Note: Highlight the questions on Slide #11.</p> <p>Explain: The first question is extremely important. You need to decide how you feel about risk. Your personal feelings will influence this answer, as well as your age. The closer you are to retirement, the less likely you are to feel comfortable taking high risk.</p> <p>Second, you need to decide how much money you want to have for retirement, a second house, a new boat or other financial goal. You need to determine how much you want to earn.</p> <p>Finally, you need to know how long you can invest your money. If you are in your early 20s you have many years before you will need your retirement funds. On the other hand, if you are approaching your 50s, you want to take less risk because you have fewer years left before you</p>	<p>Activity: Distribute <i>Shopping For Savings Accounts</i> Work Sheet</p>
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Key Points**For Educator: What to Say****For Learner:**

<p>Slide #13: Investment Considerations</p> <p>If you think you might need access to your money right away, it might be best for you to keep it in a savings account where you have immediate access.</p>	<p>retire.</p> <p>Activity: Distribute the <i>Shopping for Savings Account/Investment Products</i> Work Sheet. This work sheet can be used when comparing savings accounts or investment products.</p>	
<p>Slide #14: Investment Considerations</p> <p>If you are not comfortable with risk and cannot afford to lose the money, take less risk by depositing money in an insured financial institution. Shop around for the account that best meets your needs.</p>	<p>Explain: Before we conclude, consider these three suggestions about your investment options.</p> <p>Instructor Note: Highlight the questions on Slides #13, #14 and #15.</p>	
<p>Slide #15: Investment Considerations</p> <p>If you have some money you won't need for several years, you might consider different investment options such as stocks, bonds or mutual funds.</p>		

Key Points

For Educator: What to Say

For Learner:

**Slide #16:
Summary**

- Explained the Difference Between Saving and Investing
- Identified Types of Investments

Lesson Summary:

Congratulations! You have completed “Investment Options” in this money management series of classes.

We’ve covered a lot of information including explaining the difference between saving and investing, and identifying types of investments.

Question: *Are there any questions?*

Participant questions.