Stocks and Bonds

Notes:

Learner Outcomes

Outcome #1: Participants will be able to identify what a stock is.

Outcome #2: Participants will be able to describe what affects the value of a stock.

Outcome #3: Participants will be able to identify what a mutual fund is.

Target Audience

Teenagers

Materials

1. Flip chart and markers or a dry-erase board and dry-erase markers
2. Name tags (downloaded for free from the Bank It website), one for each participant
3. A pen or pencil for each participant
4. Something to track time
5. Four copies of the investing script #2-IN-T
6. Evaluation #2-IN-T for each participant
7. Bank It Notes #2-IN-T for each participant
8. Optional: PowerPoint Presentation PDF #2-IN-T
9. Optional: Handout #2-IN-T for each participant
10. Optional: Handout Key #2-IN-T for the trainer

Timing

1 hour

Want more background and training tips?

See the free, downloadable Bank It Leader's Guide at www.bankit.com.

Stocks and Bonds

Notes:

1. Welcome and Overview (5 minutes)

Arrive early. Highly consider using the optional PowerPoint Presentation PDF and the optional Handout. Both will greatly enhance your sessions. If you're using the PowerPoint Presentation PDF, show the "Welcome to Bank It" slide as participants enter the room. Greet each participant individually and learn their names as they arrive. Have them create a name tag with their first name only.

Give participants a copy of the Bank It Notes #2-IN-T and either a pen or pencil. Have them sit in clusters of about four people. If possible, have them sit at tables. Then welcome the whole group to the session.

Say: *Welcome to Bank It. Bank It delivers real-world financial topics and tools for teens and parents that make it easier to understand, talk about, and manage your money. Bank It was developed by Capital One and Search Institute. I'm glad each one of you is here.*

Today we will focus on stocks and bonds, and we plan on meeting three goals. One: By the end of this session, you will be able to identify what a stock is. Two: You will be able to describe what affects the value of a stock. Three: You will be able to identify what a mutual fund is.

Feel free to use your Bank It Notes to write what you learn as we go along. At the end of the session, we will take time to complete a short evaluation. (If this session is not the first session you're presenting to this group, consider briefly discussing the optional challenge that you may have given participants at the end of your previous session.)

2. Activity: Role-Play a Script (15 minutes)

Ask for three volunteers who are comfortable reading aloud. Give each a copy of the Investing Script. Keep one script for yourself. With the three volunteers, read the script aloud to the group. When you finish, have the group applaud the volunteers.

Then ask questions such as these: *What was your reaction to this script?* (Give participants time to respond.) *Why were there so many different opinions about investing?* (Give participants time to respond.) *Why can investing be confusing?* (Give participants time to respond.)

Stocks and Bonds

Notes:

Say: *Part of what's confusing about investing is that there are a lot of options. Often, the options that get the most news coverage are the ones where investing goes bad—or investing becomes corrupt. Yet, for most people, learning to invest well helps them make money in their future.*

Let's start with some basic terms. The first one is a stock. A stock is an ownership in a company. People talk about this in terms of shares. For example, you can own one share of stock in a company. You can own a thousand. Each share will cost the same price, and the price per share changes on each business day.

What affects the value of a stock? It depends on three things. (Write these on a flip chart in an abbreviated way.) 1. How well the company is doing business-wise. In other words, if the business is making money, the value of the stock will be higher. 2. The demand for the stock. If a lot of people want to own the stock, the price will go up. 3. The overall economy. The better the economy, the higher the price.

Say: *Another type of investment is called a bond. A bond is a certificate where you lend a business or government money. Over time, that business will pay you back with interest. What is the difference between a stock and a bond?*

(On a flip chart make two columns. Label one "Bond." Label the other "Stock." Under the Bond column write: *1. Defined term. 2. Specific interest rate. 3. Safer.* Under the Stock column write: *1. No defined term. 2. Value and rate changes. 3. Riskier.*)

Say: *A bond is for a set period, such as 2 years, 3 years, 5 years, or 10 years. With a stock, you can buy one on Wednesday and sell it on Thursday. Or you can keep a stock for 50 years. There's no time limit. You decide when to buy and sell.*

There's also another type of investment called a mutual fund. A mutual fund is a mix of different investment funds. Some are different stock funds. Some are different bond funds. Some are a mix of stocks and bonds. The point of a mutual fund is to create a diversified portfolio and remove some of the risk of just buying a stock.

Stocks and Bonds

Notes:

3. Present: How Much Risk Are You Willing to Take? (15 minutes)

Ask: *What is a diversified portfolio? It is investing in a number of different investments to earn the most money while reducing risk. For some people, a diversified portfolio consists of a savings account and a bond. Another person may have a diversified portfolio of stocks, mutual funds, and bonds.*

What's important is to have a mix. The power of a diversified portfolio is to give you a strategy of trying to build your wealth by taking calculated risks.

Say: *Since the goal of an investment is to earn money in the future, it's important to know three key things about investments. (Write these on a flip chart.) 1. How much can you invest? 2. How much time do you have to invest? 3. How much risk are you willing to take?*

The risk question is particularly important. Basically there are three types of investors: 1. Conservative. 2. Moderate. 3. Aggressive. Obviously, the conservative investor takes the fewest risks and is the most cautious. The aggressive investor takes a lot of risk and can make a lot of money or can lose a lot of money.

The moderate investor is between the two. One type is not better than the other. There are good, smart people who fit all three of these categories. What's important is to figure out which category you are most comfortable with. (On a flip chart, make three columns with the headings of "Conservative," "Moderate," and "Aggressive.")

Say: *Let's list different types of investments and where they fit. The conservative investor tends to invest in cash types of investments.*

Does anyone have ideas of what could be included in this category? (Give participants time to respond. Examples could include savings accounts, money market accounts, Certificates of Deposit (CDs), Treasury Bills, and interest-bearing checking accounts.)

Say: *Let's go to the other extreme: the aggressive investor. This type of investor tends to invest in risky parts of the stock market and in other risky ventures.*

What could be included in this category? (Give participants time to respond. Examples could include high-risk real estate, high-risk individual stocks, business ventures, gold, and precious metals. If someone suggests casinos or the lottery,

Stocks and Bonds

Notes:

do not list these items. Explain that these are not smart investments. They are games of chance.)

Say: *Let's go to the moderate investor, who is someone in between these other two categories. This is the investor who is willing to take a little or moderate risk. Examples included in this category are bonds, mutual funds, and possibly some stable individual stocks.*

You can have a diversified portfolio as a conservative, moderate, or aggressive investor. A diversified portfolio will cut your risk somewhat, but there is still a wide range in risk depending on which type of investor you are most comfortable with. (Keep up the flip chart showing the three different types of investors for the discussion.)

If you plan to distribute the optional handout, use it at this time. Have the answer key available for any questions.

4. Discuss (10 minutes)

Say: *Take some time to talk to the people near you. Talk to about two or three people. I want you to do two things: 1. Say your first name. 2. Say which type of investing you are most comfortable with, and why. Start with the person who took a trip most recently. Then have each person take a turn.*

5. Review and Evaluate (10 minutes)

Review what was accomplished during this session. Ask: *What is a stock?* (Answer: A stock is an ownership in a company in terms of shares.)

Ask: *What affects the value of a stock?* (Answers: 1. How well the company is doing business-wise. 2. The demand for the stock. 3. The overall economy.)

Ask: *What is a bond?* (Answer: A bond is a certificate where you lend a business or government money. Over time, that business will pay you back with interest.)

Ask: *How do stocks and bonds differ?* (Answers: 1. Bonds have a defined term. Stocks do not. 2. Bonds have a specific interest rate. The value and rate of a stock changes constantly. 3. Bonds are safer. Stocks are riskier.)

Stocks and Bonds

Notes:

Ask: *What is a mutual fund?* (Answer: A mutual fund is a mix of different investment funds.)

Ask: *What is a diversified portfolio?* (Answer: A diversified portfolio is investing in a number of different investments to earn the most money while reducing risk.)

At the end of the review, distribute Evaluation #2-IN-T to each participant. Give participants time to fill out the evaluation. Collect all the evaluations after participants finish so you can find out the measurable outcomes for the session.

6. Close (5 minutes)

Ask: *Bonds. Stocks. Mutual funds. These are all common investments. Bonds are the least risky. Stocks tend to be the riskiest, and mutual funds can be in between.*

What's important is to know which types of investments fit you best. What are your long-term investing goals? How much time do you have to let investments grow? How much risk are you willing to take?

While you do not have to invest in anything to make positive money choices, you can include investments as part of a positive, overall money strategy when you become an adult. What do you think of investing in stocks and bonds?

Challenge participants to talk to family members about this topic, which is listed under the Talk about It section of their Bank It Notes. Thank participants for coming and for being involved.

Optional Activities

1. Distribute Handout #2-IN-T: Diversified Portfolios. Give participants the handout. Take time to walk through it and discuss it.

2. Show the PowerPoint Presentation PDF #2-IN-T. Use the presentation to accompany the one-hour session.

3. Give Participants a Challenge. Encourage participants to use the next week to talk to their parents about investing in stocks and bonds and what they think about those types of investments. (If you wish, follow up during your next session to find out how the challenge went.)

Stocks and Bonds

Notes:

Questions? Looking for more ideas? Visit www.bankit.com for answers and more resources.

For More Information

- *National Standards in K–12 Personal Finance Education* (Washington, D.C., Jump$tart Coalition for Personal Financial Literacy, 2007), standard 3 in the area of Saving and Investing.
- *National Standards in K–12 Personal Finance Education* (Washington, D.C., Jump$tart Coalition for Personal Financial Literacy, 2007), standard 4 in the area of Saving and Investing.
- *An Asset Builder's Guide to Youth and Money* by Jolene Roehlkepartain (Minneapolis: Search Institute, 1999).