

# Part 2 - Investing



# Starting An Investment Portfolio

## Round Robin Brainstorm

Question Card Process – Organizing the activity:

1. Post each card at the top of a piece of chart paper.
2. Post the chart paper, each with a different colour marker.
3. Number students 1 to 6 for 6 groups.
4. Each group has one minute at each question card. (Start timing when all groups have moved to next card.)
5. Groups travel with original coloured marker.

Students work in groups to share ideas for starting an investment portfolio.

**Group Activity:** READ each of the Question Cards then brainstorm answers!

1. Why is it important to learn and develop disciplined saving habits?

4. If you have a small sum saved and wanted to invest it, what would you do next?

2. How do you find time to do your financial planning – budgeting, saving, investing?

5. Where do you look to learn more about investing?

3. What would be a good strategy to help you / someone get started saving?

6. Your friend wishes to save and invest. What would you suggest?

## Question for the entire class – make a list of ideas! Brainstorm responses!

7. What are the criteria for a 'wise' investment?

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# Setting Goals

When you set a goal you also have to plan how you will achieve your goal!

Think for a moment about goals you have for your future in the following three areas: (i) personal, (ii) academic, and (iii) financial. Some of your goals may be fairly immediate or short term while others are long term. A short-term goal is usually considered to have a one-year time period while long term means more than three years.

**Record your goals in the chart below.**

Goals	Personal	Academic	Financial
Short term – 1 year			
Long term – more than 3 years			

## Planning

Think about what you have learned about budgeting and saving. Wise planning will help you reach your goals!

1. From your chart, choose one short-term financial goal. PLAN how you will achieve it! Think of ways to achieve your goal and then LIST your strategies in the chart below!
2. Now choose a long-term financial goal. How you will achieve it? LIST your strategies in the chart below!

Financial goal	Strategies
Short term	
Long term	

# Reflecting On What We Know...

## Budget, Save, Invest

### Why is it important to think about budgeting, saving and investing as a step-by-step learning process?

**Group Activity:** Students discuss and answer the following questions:

- How do you know when you are ready to invest?
- What are the steps you would take?
- Is it as easy as 1, 2, 3...?

#### Step 1: Budget and Save

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Pay-yourself-first principle  
Saving Goal



#### Step 2: Where to put your \$ / types of accounts:

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Savings account  
Tax Free Savings Account  
Registered Educational Savings Plan  
Registered Retirement Savings Plan



#### Step 3: Where to invest your \$ / types of saving / investment products

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Canada Savings Bonds  
Guaranteed Investment Certificates  
Mutual Funds  
Equities

**The above chart has many financial terms that students may be reading for the first time. Remind them to look up the terms and add the definitions to the ones they already have.**

## Let's Start Investing

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You've been working on interactive activities to learn about budgeting and saving! The next step after saving is investing, so let's start learning about investing.

### **Before you design your investment portfolio, you must first understand:**

- the relationship between risk and reward
- your risk tolerance
- the risk categorization for various investments

You'll complete a self test and also see an investment asset allocation organizer triangle. Also, there will be new terms to add to your definitions!

### **To get you started on your investment path, review the activities on the following pages:**

- Selecting Investments for Your Portfolio
- Investor Profile Self-Test – Worksheet
- Investment Risk Categories

# Selecting Investments For Your Portfolio

(adapted from Taking Stock In Your Future Intermediate Guide)

To build enough wealth to achieve your financial goals, you need to invest as much of your earnings as possible. The kind of investments you choose depends on how quickly you want your money to grow, and how much risk you can take.

In the financial world, risk means the possibility of losing money on an investment. Usually, the higher the risk of losing money, the higher the expected return. For less risk, an investor will expect a smaller return.

This relationship follows from the Law of Supply and Demand and is called the risk-reward relationship. If you choose low risk investments such as savings accounts, bonds, GICs or T-bills, you will not lose your money, but the growth rate will be small. If you want your money to grow quickly, you will need to choose higher risk investments such as real estate, mutual funds or stocks.

## Investment Portfolio

A portfolio can be simply defined as a range of investments that you own. A general rule is that people invest in a mix of higher and lower risk types of investments to maximize growth and reduce the risk of losing all their money. For example:

### Johan's Portfolio

GICs	\$5 000
Savings Acct	\$3 000
Stocks	\$2 000

**Total Investment \$10 000**

Johan has decided to include both higher and lower risk investments in his portfolio, but most of his money is in lower risk investments.

### Horatio's Portfolio

GICs	\$2 000
T-Bills	\$1 000
Stocks	\$7 000

**Total Investment \$10 000**

Horatio has decided to have both low and high risk investments but most of his portfolio is focussed in higher risk investments.

# Investor Profile Self-Test – Worksheet

(adapted from Taking Stock In Your Future Intermediate Guide)

Complete the test below to help you determine how risk-tolerant you are.

- Given several different investment choices, I would choose the one that:
  - yields 3% with no risk
  - offers 6% with moderate risk
  - offers 12% with high risk
- I prefer to have my investments grow slowly than to risk losing money by seeking higher returns.
  - agree
  - neither agree nor disagree
  - disagree
- The portion of my portfolio that I would like to have in high risk-high return investments is:
  - 0%
  - 35%
  - 70%
- One of two remaining tickets is the winning lottery ticket for \$1 000 000, and the other is a losing ticket. If I owned one of the tickets, I would:
  - sell my ticket for \$500 000
  - wait for the draw
  - auction off my ticket to the highest bidder
- If a TV game show offered me the three following choices, the one I would choose is:
  - \$5 000
  - toss a coin and receive \$12 000 for heads and nothing for tails
  - select a card from a deck and receive \$50 000 only if its suit is spades
- When I invest, I want my portfolio to grow as follows:
  - slowly but surely
  - faster than most with some risk of losing money
  - much faster than most but with considerable risk of losing some money
- When you're young, it's important to try for the largest growth rate possible in your investments, because if you lose, you have enough time to rebuild your portfolio.
  - disagree
  - neither agree nor disagree
  - agree

Score your test by counting 1 point for each "a)" answer, 2 points for each "b)" answer and 3 points for each "c)" answer.

My Total Score \_\_\_\_\_

**Dependent on your score, your investment portfolio might be composed of the following types of investments:**

## Score: Between 7 and 11

Speculative	10%
Moderate risk	30%
Low risk	40%
Cash and cash equivalents	20%

## Score: Between 12 and 16

Speculative	20%
Moderate risk	40%
Low risk	30%
Cash and cash equivalents	10%

## Score: Between 17 and 21

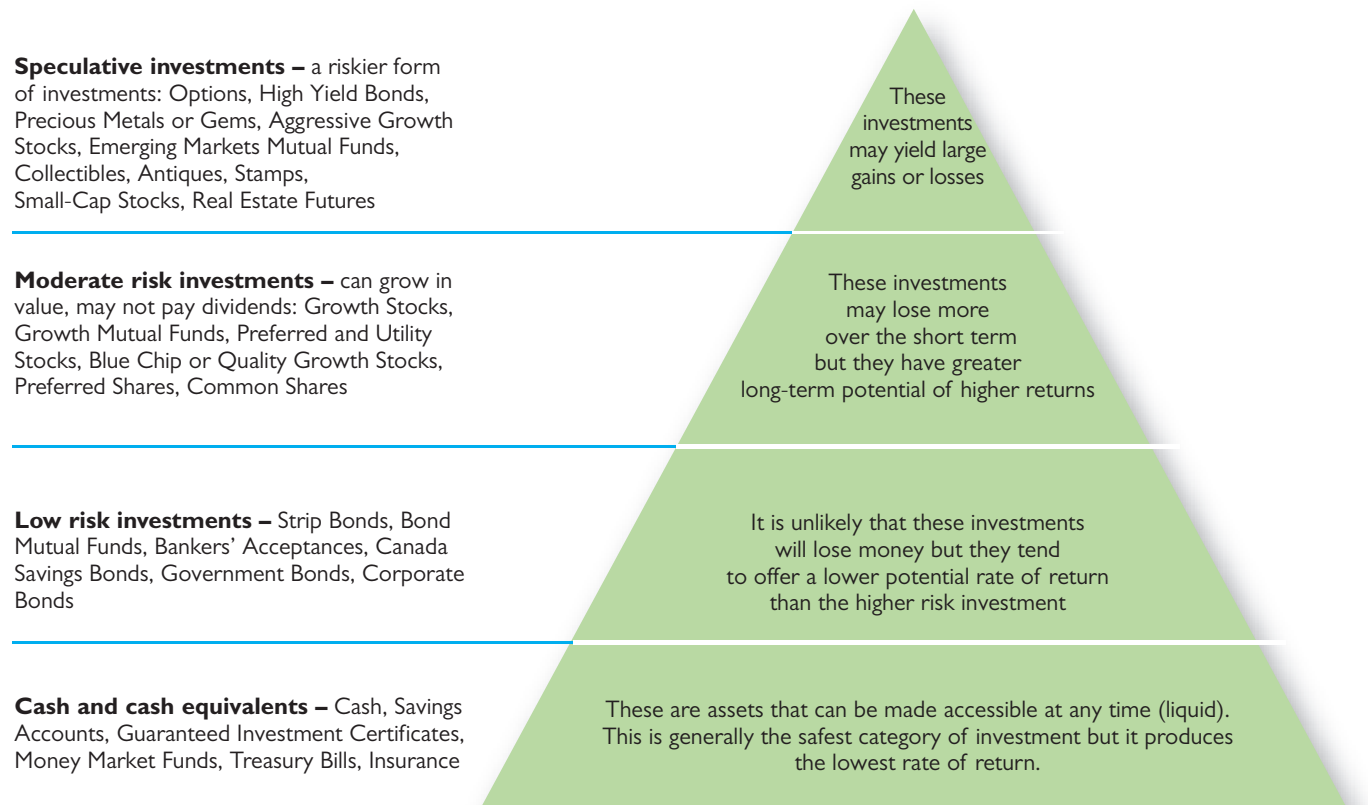
Speculative	30%
Moderate risk	50%
Low risk	10%
Cash and cash equivalents	10%

# Investment Risk

(adapted from Taking Stock In Your Future Intermediate Guide)

The triangle below arranges various investment choices according to the risk-reward relationship. The higher the investment is located in the triangle, the higher the potential reward and the higher the risk. Since cash and cash equivalents offer minimal risk and low return, they are located at the bottom of the triangle. It is important to realize, however, that the types of investment listed beside each section of the triangle are only a framework.

Types of particular investments vary with economic conditions. The classification of a stock as low, moderate or high risk depends on the perspective of the investor. In a sense, risk is in the “eye of the beholder”. Careful analysis is the best way to choose investments.



## Teacher Resources

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### INTERNET ACTIVITIES

Financial literacy interactive activities	<a href="http://www.getsmarteraboutmoney.ca">www.getsmarteraboutmoney.ca</a> , Education programs
Decode your pay cheque	<a href="http://www.yourmoney.cba.ca">www.yourmoney.cba.ca</a>
What's the accumulated value of my savings?	<a href="http://www.edu.uwo.ca/TeacherResources/ValueSavings/index.html">www.edu.uwo.ca/TeacherResources/ValueSavings/index.html</a>
How much does it cost to lease a car?	<a href="http://money.canoe.ca/FinancialTools">money.canoe.ca/FinancialTools</a>

### TEACHER RESOURCES

Fair Play (risk, fraud, regulatory environment, careers)	<a href="http://www.getsmarteraboutmoney.ca">www.getsmarteraboutmoney.ca</a> , Education programs
Taking Stock correlations to the curriculum	<a href="http://www.getsmarteraboutmoney.ca">www.getsmarteraboutmoney.ca</a> , Education programs

### ONLINE RESOURCES

#### Financial Awareness

Investor Education Fund	<a href="http://www.getsmarteraboutmoney.ca">www.getsmarteraboutmoney.ca</a>
Your Money Network	<a href="http://www.yourmoney.cba.ca">www.yourmoney.cba.ca</a>
CanLearn	<a href="http://www.canlearn.ca">www.canlearn.ca</a>
MoneySense	<a href="http://www.moneysense.ca">www.moneysense.ca</a>
Canadian MoneySaver	<a href="http://www.canadianmoneysaver.ca">www.canadianmoneysaver.ca</a>
The Money Belt	<a href="http://www.themoneybelt.ca">www.themoneybelt.ca</a>

#### Educational Planning

Ontario School Counsellors' Association	<a href="http://www.osca.ca">www.osca.ca</a>
Association of Universities and Colleges of Canada	<a href="http://www.aucc.ca">www.aucc.ca</a>
Ontario University Application Centre	<a href="http://www.ouac.on.ca">www.ouac.on.ca</a>
Ontario Colleges	<a href="http://www.ontariocolleges.ca">www.ontariocolleges.ca</a>
School to Career/work programs	<a href="http://www.apprenticesearch.com">www.apprenticesearch.com</a> , <a href="http://www.schooltocareer.ca">www.schooltocareer.ca</a>
The Next Step Magazine	<a href="http://www.nextSTEPmagazine.com">www.nextSTEPmagazine.com</a>