

OVERVIEW

The best reason for investing is that your money has the potential to actually make more money for you. When you invest, you buy something that you believe will increase in value or earn money for you. There's no guarantee that the investment will grow, but in the long run, investments have the potential to earn more than you can usually make in a savings account.

You may not think that you have much money to invest right now. But the sooner you get started investing, the less money you'll need over time to meet your financial goals. In this lesson explore ways to invest and reasons to get started now rather than later.

LEARNING OUTCOMES

In this lesson you will explore how investing works. Along the way you will do the following:

- Summarize how the time value of money impacts saving and investing.
- Explain how to buy stocks.
- State fundamental investing guidelines.

Use what you learn to make decisions about stock investments.

LEARNING TASKS

These tasks match pages 12-23 in Student Guide 4.

__ 1.	Do you remember what it cost to buy a candy bar, a vending machine beverage, or a movie ticket five years ago? Do you think you'll need more or less money to buy "stuff" in the future?
__ 2.	If you were to ask for a raise, what is a reasonable amount to request? Find out how inflation impacts your spending power and how your income fits into the equation.
__ 3.	Complete Activity 4.4: Getting a Late Start to compare the difference between investing earlier to waiting until later. Predict the potential value of your change stash ten years from now if you were to invest that amount, earning an annual average of seven percent return.
__ 4.	Think about companies you would like to own—as a shareholder. Complete Activity 4.5: Own a Piece of the Business as you learn about stock investments.
__ 5.	Find out the not-so-secret secrets of investing. Gather information about companies you think are interesting investment. Complete Activity 4.6: Watch the Price . (Your teacher will give you an expanded version of this activity to help you get started on a stock study.)
__ 6.	Write an article for middle school students to help them learn about the value of saving and investing. Provide a Top Five list of tips for saving and investing.



TAKING IT HOME

Find out about any experiences a family member or close adult has had with stock investments. What guidelines do they follow when deciding what stock to buy or sell?



FURTHER STUDY

Read a book or newspaper article about investing in stock. Share what you have learned with your classmates.



FURTHER STUDY

Test out your stock investing skills by participating in an online stock simulation.

Activity 4.4: Getting a Late Start



NAME:

DATE:

Directions:

Study the **Advantage of Starting Early** chart. As you can see in the chart, after a late start Whitney would have to invest more money for more years to catch up to the amount in an account started earlier.

In Whitney's second scenario, what is the cost of starting later?

\$ _____

Investments are assumed to be made annually and at the beginning of the investment period.

Balance amounts are rounded to the nearest dollar and are not adjusted for inflation.

THE ADVANTAGE OF STARTING EARLY					
Starting at Age 18			Starting at Age 31		
Amount Whitney Invested: \$20,000			Amount Whitney Invested: \$70,000		
7% APY	Year-End Balance	Age	7% APY	Year-End Balance	
\$2,000	\$2,140	18	Starting later to invest \$2,000 annually for 35 years.	\$0	
\$2,000	\$4,430	19		\$0	
\$2,000	\$6,880	20		\$0	
\$2,000	\$9,502	21		\$0	
\$2,000	\$12,307	22		\$0	
\$2,000	\$15,308	23		\$0	
\$2,000	\$18,520	24		\$0	
\$2,000	\$21,956	25		\$0	
\$2,000	\$25,633	26		\$0	
\$2,000	\$29,567	27		\$0	
Stopping early after investing \$2,000 annually for ten years.	\$31,637	28		\$0	
	\$33,852	29		\$0	
	\$36,221	30		\$0	
	\$38,757	31		\$2,000	\$2,140
	\$41,470	32		\$2,000	\$4,430
	\$44,372	33		\$2,000	\$6,880
	\$47,479	34		\$2,000	\$9,502
	\$50,802	35		\$2,000	\$12,307
	\$54,358	36		\$2,000	\$15,308
	\$58,163	37		\$2,000	\$18,520
	\$62,235	38		\$2,000	\$21,956
	\$66,591	39		\$2,000	\$25,623
	\$71,252	40		\$2,000	\$29,567
	\$76,240	41		\$2,000	\$33,777
	\$81,577	42		\$2,000	\$38,281
	\$87,287	43		\$2,000	\$43,101
	\$93,397	44		\$2,000	\$48,258
	\$99,935	45	\$2,000	\$53,776	
	\$106,931	46	\$2,000	\$59,680	
	\$114,416	47	\$2,000	\$65,998	
	\$122,425	48	\$2,000	\$72,758	
	\$130,995	49	\$2,000	\$79,991	
	\$140,164	50	\$2,000	\$87,730	
	\$149,976	51	\$2,000	\$96,012	
	\$160,474	52	\$2,000	\$104,872	
	\$171,707	53	\$2,000	\$114,353	
	\$183,727	54	\$2,000	\$124,498	
\$196,588	55	\$2,000	\$135,353		
\$210,349	56	\$2,000	\$146,968		
\$225,073	57	\$2,000	\$159,395		
\$240,828	58	\$2,000	\$172,693		
\$257,686	59	\$2,000	\$186,922		
\$275,724	60	\$2,000	\$202,146		
\$295,025	61	\$2,000	\$218,436		
\$315,677	62	\$2,000	\$235,867		
\$337,774	63	\$2,000	\$254,518		
\$361,418	64	\$2,000	\$274,474		
\$386,718	65	\$2,000	\$295,827		

Activity 4.5: Own a Piece of the Business

NAME:

DATE:

Directions:

The companies listed below offer stock you can purchase. Check the names of the companies you would like to own as a shareholder.

- | | | |
|---|--|----------------------------------|
| <input type="checkbox"/> Amazon | <input type="checkbox"/> Google | <input type="checkbox"/> Hershey |
| <input type="checkbox"/> American Eagle | <input type="checkbox"/> Electronic Arts | <input type="checkbox"/> Nike |
| <input type="checkbox"/> Apple | <input type="checkbox"/> GameStop | <input type="checkbox"/> Pixar |
| <input type="checkbox"/> Coach | <input type="checkbox"/> Harley-Davidson | <input type="checkbox"/> Target |

What other companies might you consider “owning”?

Activity 4.6: Watch the Price

NAME:

DATE:

Directions:

Select two or three companies that are interesting to you because you use the companies' products. Look online or in a newspaper to study data and news about the companies you chose.

Research	Company A	Company B	Company C
Highest Price over the past 52 weeks.			
Lowest Price over the past 52 weeks.			
<i>What is the current "state of affairs" for the company? Are there any issues that raise concern?</i>			
<i>Is there a record of consistent growth in revenue or sales? (Past two years? Past five years?)</i>			
<i>Is there a record of consistent growth in earnings per share (EPS)? (Past two years? Past five years?) EPS = Net profits for past 12 months/total shares outstanding</i>			
<i>Is there a record of consistent growth in dividends paid each quarter? (Past two years? Past five years?)</i>			
<i>Is the company consistently earning a profit?</i>			
<i>Can the company cover its debt? (Are there more assets than current liabilities?)</i>			
<i>How does the company compare with competitors?</i>			
<i>How does the company compare with industry trends?</i>			
<i>Would you say the current price is in the high range or low range compared to recent trends?</i>			
<i>In your opinion, is this company worthy of further study to consider buying as an investment?</i>			

Disclaimer: The basic guidelines offered here are presented to help get you started on your own stock study and do not guarantee positive results. You are encouraged to continually learn more about investing and seek professional guidance as you engage in investing decisions.