Name: ______________________ Date: __________ Class: ______________

BUILDING BLOCKS STUDENT WORKSHEET

Calculating rate of return

When you invest your money, you want your money to grow. Calculating rate of return is a useful way to determine how much money you're making on your investment.

Instructions

1. Review the formula for calculating rate of return.
2. Calculate the net profit or loss by subtracting the initial investment from the current value.
3. Using the net profit or loss, calculate the rate of return for each investment in the tables below.
4. Choose a writing prompt to respond to in the quick write.

REMEMBER

An investment's value can rise and fall over time – you could lose some or all of your money.

Calculating rate of return

The rate of return is the profit or loss on an investment expressed as a percentage. You can calculate rate of return on typical financial investments (such as stocks and bonds) as well as non-financial investments, such as works of art, vintage cars, or other items. Calculating the rate of return can help you see how your investment is performing and compare it with other investments.

To calculate rate of return, use this simple formula with two variables:

Rate of return = (Net profit or loss / initial investment) x 100

- **Net profit or loss:** The amount of money you gained or lost from the investment
- **Initial investment:** The amount you originally invested

Example: You put $2,000 into a certificate of deposit and it grew to be worth $2,200. That means your net profit is $200. You would calculate your rate of return like this:

(200 / 2000) x 100 = 10% rate of return

Financial investments

Initial investment	Current value	Net profit or loss	Rate of return
You put $10,000 in a mutual fund.	The investment grew in value to $10,500.		
You bought government-issued bonds for $8,800.	The bonds are now worth $10,000.		
You put $15,000 in a money market deposit account.	The account is now worth $15,800.		
You put $1,000 in a savings account.	The account is now worth $1,010.		
You bought 10 shares of stock for $12.50 each.	You held the shares for many years and then sold the shares for $27.15 each for a current total value of $271.50.		

Non-financial investments

Initial investment	Current value	Net profit or loss	Rate of return
You bought a house for $75,000 and spent $35,000 on renovations.	You owned the house for five years and then sold the house for $160,000.		
Your grandfather sold you his 1964 classic car for $2,200, the price he paid for it. You spent $10,000 to restore it.	You sold the car for $20,000.		
You bought a painting at a garage sale for $20. You learned it was done by a popular local artist.	You sold the painting for $1,000.		
You bought a limited edition pair of sneakers for $300.	You sold the unworn sneakers to a collector for $500.		
Your aunt bought 100 collectible stuffed animals for $5 each while she was a teenager, when the toys were popular.	Ten years later, she sold her collection to a neighbor for $100.		

Quick write: Writing prompts

Choose one of the following writing prompts to respond to for this “quick write” task. Your teacher will tell you when to start writing. Keep writing until your teacher says “stop.”

- ☐ People are often tempted to invest in “get rich quick schemes.” Why might an investor be tempted to do that despite the risks?
- ☐ What types of investments are you most likely to make in your own life? Why do you think these investments would help you reach your goals?
- ☐ Some people don’t invest because it may seem too complicated or they may be afraid of losing money. How would you convince someone that investing is a valuable strategy to help them meet their financial goals?