

Investigating investing

Students explore the U.S. Securities and Exchange Commission's Investor.gov website to learn about some common types of financial investment products.

Learning goals

Big idea

Understanding different types of financial investment products can help you plan for your financial future.

Essential questions

- What are some common financial investment products?
- Which investment strategies might be best for my financial future?

Objectives

- Develop a basic understanding of how some common financial investment products work
- Consider which investments might support your long-term goals

NOTE

Please remember to consider your students' accommodations and special needs to ensure that all students are able to participate in a meaningful way.

KEY INFORMATION

Building block:

-  Financial habits and norms
-  Financial knowledge and decision-making skills

Grade level: High school (9-12)

Age range: 13-19

Topic: Save and invest (Investing)

School subject: CTE (Career and technical education), English or language arts, Social studies or history

Teaching strategy: Blended learning, Simulation

Bloom's Taxonomy level: Understand, Apply

Activity duration: 45-60 minutes

National Standards for Personal Financial Education, 2021

Spending: 12-9

Investing: 8-2, 12-1, 12-2, 12-3, 12-5, 12-6, 12-12

These standards are cumulative, and topics are not repeated in each grade level. This activity may include information students need to understand before exploring this topic in more detail.

What students will do

- Research four types of financial investment products on Investor.gov and describe each one.
- Reflect on which financial investment products they'd consider using to meet their long-term goals.

Preparing for this activity

- While it's not necessary, completing the "[Comparing saving and investing](#)" activity first may make this one more meaningful.
- Print copies of all student materials for each student, or prepare for students to access them electronically.
- Become familiar with the investment products webpage on the U.S. Securities and Exchange Commission's (SEC's) Investor.gov site at <https://www.investor.gov/introduction-investing/basics/investment-products>.
- Obtain computers or tablets with Internet access so students can conduct research.

What you'll need

THIS TEACHER GUIDE

- [Investigating investing \(guide\)](#)
[cfpb_building_block_activities_investigating-investing_guide.pdf](#)

STUDENT MATERIALS

- [Investigating investing \(worksheet\)](#)
[cfpb_building_block_activities_investigating-investing_worksheet.pdf](#)
- **Computers or tablets with Internet access**

Exploring key financial concepts

When people save money for short-term financial goals (such as a vacation or a down payment on a car), they typically use low-risk financial products such as savings accounts and certificates of deposit (CDs). That's because these products are insured by the federal government – so people are less likely to lose money they might need soon – and provide savers with easier access to their money. However, financial returns on savings products usually are

TIP

Because financial products, terms, and laws change, students should be encouraged to always look for the most up-to-date information.

relatively low. To reach long-term financial goals that may take five or more years to achieve (such as buying a home, starting a business, or retiring), some people turn to investing. Putting money in investments like stocks, bonds, mutual funds, and commodities can mean greater returns over the long term, but it also means higher risks. The value of these investments can rise and fall over time. Investments in stocks, bonds, and mutual funds aren't insured, and you could potentially lose some or all of the money you invested due to changes in the market. Commodities trading, which includes cryptocurrencies, is even riskier, as people may lose more than they initially invested. In addition, these types of products aren't the only ones people can invest in. It's helpful to learn about what kinds of financial investment products are available and consider which ones you might use to support your long-term goals.

NOTE

It's important to emphasize that all investments, even savings products, have some level of risk. These risks include how readily investors can get their money when they need it; how fast their money will grow; whether they can lose some, all, or in some cases, more than their initial investment; and how inflation, taxes, market conditions, and other external factors may affect the value of their investment.

Teaching this activity

Whole-class introduction

- Ask students to share some things that can cost a lot of money.
 - Answers may include items such as a car or a home, or goals such as paying for college, starting a business, or retirement.
- Read the "Exploring key financial concepts" section to students.
- Be sure students understand key vocabulary:
 - **Annual return:** The profit or loss on an investment over a one-year period.
 - **Dividend:** A portion of a company's profit paid to shareholders.
 - **Inflation:** Inflation occurs when the prices of goods and services increase over time.
 - **Invest:** To commit money to earn a financial return; the strategic purchase or sale of assets to produce income or capital gains.
 - **Investment:** Something you spend your money on that you expect will earn a financial return.
 - **Return:** The profit or loss on an investment.
 - **Risk:** Exposure to danger, harm, or loss.

TIP

Visit CFPB's financial education glossary at consumerfinance.gov/financial-education-glossary/.

- **Taxes:** Required payments of money to governments, which use the funds to provide public goods and services for the benefit of the community as a whole.

Individual or group work

- Distribute the “Investigating investing” worksheet to each student.
- Students can work individually or with a partner on this activity but should complete their own worksheet.
- Give computers or tablets to each student or pair of students.
- Direct students to the SEC’s Investor.gov investment products webpage at <https://www.investor.gov/introduction-investing/basics/investment-products>.
- Tell students that they’ll research four types of financial investment products: stocks, bonds, mutual funds, and commodities.
 - Be sure students understand that while the activity focuses on these four products, they aren’t the only types of financial investments.
- Using the worksheet as their record-keeping tool, students will describe each type of investment.
- Students will then answer the reflection questions.

Wrap-up

- Bring students back together to share what they learned about the four types of investments.
- Ask for volunteers to share their answers to the reflection questions.

Suggested next steps

Consider searching for other [CFPB activities](#) that address the topic of investing. Suggested activities include [“Calculating rate of return”](#) and [“Playing an investment game”](#).

You also can have students complete the investment quizzes at <https://www.investor.gov/additional-resources/spotlight/investing-quizzes> as a whole-class activity.

Measuring student learning

Students' answers on their worksheets and during discussion can give you a sense of their understanding.

This answer guide provides possible answers for the "Investigating investing" worksheet. Students' definitions should align with these definitions from Investor.gov, but they don't have to match exactly. **Keep in mind that students' answers may vary.** The important thing is for students to have reasonable justification for their answers.

Answer guide

Type of investment	Definition
Stocks	Stocks are a type of investment that gives people a share of ownership in a company. Stocks also are called "equities."
Bonds	A bond is a type of debt. Borrowers issue bonds to raise money from investors willing to lend them money for a certain amount of time. When you buy a bond, you are lending to the issuer, which may be a government, municipality, or corporation. In return, the issuer promises to pay you a specified rate of interest during the life of the bond and to repay the principal, also known as face value or par value of the bond, when it "matures," or comes due after a set period of time.
Mutual funds	A mutual fund is a company that pools money from many investors and invests the money in securities such as stocks, bonds, and short-term debt. The combined holdings of the mutual fund are known as its portfolio. Investors buy shares in mutual funds. Each share represents an investor's part ownership in the fund and the income it generates.
Commodities	Commodities are metals, agricultural products, and financial instruments (including U.S. and foreign currencies) and are traded in the futures markets. Commodity futures contracts are an agreement to buy or sell a specific quantity of a commodity at a specified price on a particular date in the future. Depending on market conditions on that particular date, people may lose more money than they initially invested.

Reflection questions

Answers will vary.