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

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.

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

STANDARDS
Council for Economic Education
Standard V. Financial investing
Jump$tart Coalition
Investing - Standards 1, 2, 3, and 4
Preparing for this activity

□ While it’s not necessary, completing the “Comparing saving and investing” activity before this one may make it more meaningful.

□ Print copies of all student materials for each student, or prepare for students to access them electronically.


□ Secure access to the Internet and computers or tablets 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 (if available)

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. That’s because these products are insured by the federal government and provide savers with easier access to their money. However, financial returns on savings products usually are 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

TIP
Because financial products, terms, and laws change, students should be encouraged to always look for the most up-to-date information.
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 is even riskier, as people may lose more than they initially invested. 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**

- Distribute the “Investigating investing” worksheet to each student.

- Tell students that they’ll visit the SEC’s investor.gov website to research four types of financial investment products: stocks, bonds, mutual funds, and commodities.

- 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.
  - **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 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.

- Direct students to investor.gov’s investment products webpage at https://www.investor.gov/introduction-investing/basics/investment-products.
Individual or group work

- Students can work individually or with a partner but should complete their own worksheet.
- Using the worksheet as their record-keeping tool, students will describe each type of investment.
- To personalize their experience with investing strategies, students will reflect on which investments they’d consider to help reach their long-term goals and explain their choices. Students can choose from among the four investments they researched and the other investments listed on the webpage.

Wrap-up

- Bring students back together to share what they learned about the four types of investments.
- Ask for volunteers to share which investments they would consider to help them reach their long-term goals and have them explain their choices.

Suggested next steps

Consider searching for other CFPB activities that address the topic of investing.
Measuring student learning

The characteristics that students list and their responses to the reflection questions can give you a sense of their understanding of the different investments. **Keep in mind that students’ answers may vary.** The important thing is for students to have reasonable justification for their answers.

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.

**Answer guide**

<table>
<thead>
<tr>
<th>Type of investment</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Stocks</td>
<td>Stocks are a type of investment that gives people a share of ownership in a company. Stocks also are called “equities.”</td>
</tr>
<tr>
<td>Bonds</td>
<td>A bond is a type of debt, similar to an IOU. 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.</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>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.</td>
</tr>
<tr>
<td>Commodities</td>
<td>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.</td>
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