

Making a good business investment

Students play an investment game where they'll choose between two businesses to invest in.

Learning goals

Big idea

Understanding the benefits and risks of investments can help you become a more informed investor.

Essential questions

- What is a good investment?
- What things should you look at before deciding to invest in a business?

Objectives



- Identify the benefits and risks of specific business investments
- Compare two businesses to decide which to invest in

What students will do

- Analyze two business opportunities.
- Compare the strengths and risks of each investment.
- Choose a business to invest in and give reasons for their choice.

KEY INFORMATION

Building block:

-  Executive function
-  Financial knowledge and decision-making skills

Grade level: Middle school (6-8)

Age range: 11-14

Topic: Save and invest (Investing)

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

Teaching strategy: Direct instruction, 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 - Standard 2

Preparing for this activity

- Print copies of all student materials for each student, or prepare for students to access them electronically.
- Print a copy of the “Investment options” in this guide for each student.

What you’ll need

THIS TEACHER GUIDE

- Making a good business investment (guide)
[cfpb_building_block_activities_making-good-business-investment_guide.pdf](#)

STUDENT MATERIALS

- Making a good business investment (worksheet)
[cfpb_building_block_activities_making-good-business-investment_worksheet.pdf](#)
- Investment options (in this guide)

Exploring key financial concepts

An entrepreneur is a person who starts a business and is willing to accept risks and maybe even lose money to be successful. People who work hard and have the vision to start their own businesses are said to be entrepreneurial, or go-getters who are motivated to make things happen. But even responsible entrepreneurs may need financial assistance to grow a business. To increase the amount of money they make, entrepreneurs might need investors or a bank loan to get the money they need to grow their business.

Investors are people who commit their money to a business to earn a financial return. Sometimes an investor gets a percentage of profits in the company. Other times they may agree to own part of the business or to get a set payout. An investor’s goal is to make money from their investment and not lose money. In order to do that, they consider potential profits and risks so they can make an informed decision about whether to put their money in an investment.

Teaching this activity

Whole-class introduction

- Read the “Exploring key financial concepts” section above aloud to students.
- Ask students to restate in their own words what it means to be an entrepreneur and what it means to be an investor.
- Tell students that they’ll play the role of an investor who specializes in investing in small businesses run by student entrepreneurs.
- Be sure students understand key vocabulary:
 - **Entrepreneur:** Someone who organizes, manages, and assumes the risks of a business or enterprise.
 - **Invest:** To commit money to earn a financial return; the strategic purchase or sale of assets to produce income or capital gains. (An asset is an item with economic value, such as stock or real estate.)
 - **Profit:** Money that is made in a business after all the costs and expenses are paid.
- Distribute the “Making a good business investment” worksheet and the “Investment options” sheet to the class.
- Ask students if they have any questions before they get started.

TIP

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

Individual or group work

- Students can work individually or in pairs.
- Have students review the “Investment options” sheet and then complete the “Investigating investments” section of the worksheet.
- Once they’ve reviewed the information, students will answer the questions in the “Analyzing investments” section of the worksheet.
- Students should compare the benefits and risks of each investment and choose which business would be a better investment for them.

Wrap-up

- Bring the class back together and have students share which business they chose to invest in and why.

- Ask them to reflect on the following questions:
 - What risks are there for the company you chose? What are some ways it could fail?
 - If you owned the business that didn't get the investment, what changes would you make to have a better chance of getting an investment in the future?

Suggested next steps

Consider searching for other CFPB activities that address the topics of saving and investing.

Measuring student learning

This answer guide provides possible answers for the "Making a good business investment" worksheet. **Keep in mind that students' answers may vary.** The important thing is for students to have reasonable justification for their answers.

Answer guide

Investigating investments

	D's Car Detailing	Justin's Lawn Care
Business owner's name	Dee Watkins	Justin Morgan
How much does this service cost?	\$45	\$20
How much money does the owner make on each service after expenses?	\$35 (\$45 minus \$10 for materials)	\$17 (\$20 minus \$3 for gas)
How much money does the owner make in a weekend after expenses?	\$140	\$85
How much money will the owner make in one weekend after the new plan is in place?	\$280	\$170
How much money are they asking you to invest?	\$260	\$225

Analyzing investments

	D's Car Detailing	Justin's Lawn Care
How much money are you likely to make after your investment is paid back?	\$60	\$375
How long will it take for you to make back your investment?	Two weeks	Five weeks
How long will it take for you to receive all your profits (money above the amount you invested)?	Three weeks	Three months
What are the potential benefits of investing in this business?	<p>Answers will vary but may include:</p> <ul style="list-style-type: none"> ▪ You get paid back very quickly. ▪ She seems to have many clients lined up. 	<p>Answers will vary but may include:</p> <ul style="list-style-type: none"> ▪ You make more profit. ▪ He's asking for a smaller investment.
What are the potential risks of investing in this business?	<p>Answers will vary but may include:</p> <ul style="list-style-type: none"> ▪ It may take longer than she expects to get more clients (increasing the payback time). ▪ This is a small profit. 	<p>Answers will vary but may include:</p> <ul style="list-style-type: none"> ▪ It will take longer to make back the initial investment. ▪ It will take longer to get the full profit.

Making a choice

Answers will vary.

Investment options

These two businesses are looking for investors to help them grow. Both businesses are run by student entrepreneurs. Because they go to school and have other responsibilities, they only run their businesses on the weekends.

D's Car Detailing

Owner: Dee Watkins

Description: Car washing and detailing (interior and exterior)

Years in business: One year and a half

Asset value

- Savings: \$545
- Current resources: \$800 (industrial vacuum, car wash supplies, marketing materials)

Business model

- I charge \$45 to vacuum, detail, wash, and wax a car.
- It costs me \$10 in materials to do one car.
- I usually service two cars a day. I work Saturday and Sunday every weekend.

My story

I've had my business for a year and a half, and I have lots of people interested in my services! I only work on weekends. That's because my weekdays are spent either going to school (during the school year) or babysitting my sister (in the summer). I'm looking for an investor for this summer because I want to double the cars I can wash and detail. To do this, I'll need new detailing equipment so I can work faster and do more cars. The new equipment costs \$260. I don't want to use my savings to buy the new equipment because I may need that for emergencies.

I'm asking an investor for \$260 to buy the equipment. In return, I'll give the investor \$20 for every car I detail until I pay back the investment. After that, I'll make three more payments of \$20 per car, which will be the investor's profit.

Justin's Lawn Care

Owner: Justin Morgan

Description: Mowing, trimming, weeding, etc.

Years in business: One year

Asset value

- Savings: \$260
- Current resources: \$380 (Gas-powered push mower) and \$160 (trimmer)

Business model

- I charge \$20 to mow one lawn.
- It costs me \$3 in gas to mow one lawn.
- I usually have about five customers a weekend. I work every weekend.

My story

I started my lawn business exactly one year ago, and I've kept every customer who came to me. I mow lawns every weekend from April through November. I currently have five customers each weekend. With more people asking for my services, I think I can double the number of lawns that I take care of every weekend. To do that, I'll need to add a few more services such as trimming bushes. A new gas-powered trimmer will cost \$325. I can use \$100 of my savings to invest in the new equipment, but I want to be sure that I have enough to cover the cost of gas.

I'll need an investor to cover the additional \$225 to help me buy the new trimmer. I plan to give an investor \$5 for every lawn I take care of for three months.