Economics Info Sheet

Quarter 4: Week 5 **Dates: May 4 – May 10**

Directions: Students will complete their weekly assignment(s) and turn it in via email. Mr. Dodson's class will turn in the assignment to dodsonj@luhsd.net and Mr. Macy's class will email assignments to macym@luhsd.net. When emailing the assignment to your teacher, you can take a picture of the assignment, scan it, attach it, or send it by any other means necessary. Feel free to email your teacher if you have any questions or concerns. To help your teachers when it comes time to grade your assignments, please put your name and period in the subject of the email.

Note: This page is just the info sheet. The assignment is on the second, third, fourth, and fifth pages. Those are the ones you will be submitting to your teacher (the fourth and fifth ones in particular). You will complete the worksheet, take a picture of it, and then email your teacher the image of the completed handout. **If you do not have access to a printer**, you will need to copy it by hand on a separate sheet of paper the best you can.

Investing Your Money

This week we will be learning about investments. An investment is an asset or item acquired with the goal of generating income or appreciation. In an economic sense, an investment is the purchase of goods that are not consumed today but are used in the future to create wealth. In other words, an investment is where you put money into something hoping to get a return from it.

Why should you invest? Money loses value overtime. It is due to inflation. Inflation means that prices rise overtime. If you look at the price of a movie ticket from 1960 and the price of a movie ticket today, will there be a difference? Movie tickets in the 60's were roughly $2. Inflation is normal, prices just rise as the years go on. So if you have $2,000 in cash and you keep it under your pillow for 50 years, it will lose a lot of value. 50 years from now it will still be $2,000, but you won't be able to buy as much because prices will be higher.

So how do you combat (fight) inflation? You make your money work for you by investing it. Your money (if put in the right places) can make you more money. This week's lesson we will be looking at different types of investments.

Investing Your Money Activity

Directions: When you were born, you were gifted $250,000. Instead keeping in a safe in your house, your parents/guardians decided to invest it for you. There are many types of investments people dive into: 401(k)'s, 403(b)'s, whole life insurance, currencies, among others. Here are four investment opportunities your parents/guardians were considering:

Investment	Investment Description	Profit
Stocks	Corporations (companies) issue (sell) stock to raise funds to operate their businesses. The holder of stock (a shareholder) has now bought a piece of the corporation and can make a profits of these stocks when they appreciate (go up in value). Stocks are bought and sold predominantly on stock exchanges, and they are the foundation of nearly every portfolio (what investments people have). In other words, if you buy one stock of Nike, then you own one piece of the company. One stock right now costs $85 and you would become a part owner in Nike! Well, a very small owner (1 / 2,400,000,000). So how do you make money? You want to buy stock at a lower price, and sell them for a higher price. You make a profit off the difference! So once you buy stock, you hope the prices rises. Then you sell it and make a profit. If you look at the history of stocks, they tend to go up in value overtime. That's why they are smart investments. However, stocks are very volatile. They can up or down on a moment's notice. They are considered very risky, but as long as the company does well, you do well! Not all companies go up, and sometime in a bad market (like right now), everyone struggles.	When you were born in 2002, your parents/guardians purchased 8,386 stocks of Disney at $29.81 ($250,000 worth). Disney (before the virus) cost $134.12 per stock, which means you would cash out $1,124,730.32 on the resell. Thus, you would profit $874,730!
Bonds	When companies or other entities (like a big business) need to raise money to finance new projects, maintain ongoing operations, or refinance existing debts, they may issue bonds directly to investors. The borrower (the company of government) issues a bond that includes the terms of the loan, interest payments that will be made, and the time at which the loaned funds (bond principal) must be paid back. In other words, you are loaning a company or the government money and they will pay you back plus interest. These investments take time, bit are typically safer than buying stock. If something terrible happens to the government or business that you lent (purchased bonds from), then you may not get your money back. However, barring a disaster, you should expect a safe return on investment by purchasing bonds. Because they are safer than stock, they usually don't offer a big payout that stocks can (sometimes) offer.	When you were born, your parents/guardians purchased $250,000 worth of municipal bonds from the US Government with a 2.5% interest rate. You will profit $67,941 when it's all said and done!

Property	Investments are inherently risky - real estate in particular. However, buying a home is usually a great investment. The trick to make money in the housing market (similar to other investments) is you buy a house for a lower price and sell it for a higher price. Not that complicated! Not to mention, homes tend to appreciate (go up in value) overtime. Building up equity (profit off resale) is the primary goal. Whether its adding sweat equity (work) or a hot housing market, you want the price of your home to appreciate (go up). Ideally you pay for the house in cash, and avoid paying interest or PMI. If you can afford another home, you should buy one and rent it out. The renters are then building up the equity for you. It's smart to be a landlord! That's how you can make some serious money! It's not that easy though, buying a house can be risky. The housing market can sometimes go down (it can be very unpredictable), so you are not always guaranteed a profit. But history shows us that the housing market usually goes up.	When you were born, your parents/guardians purchased a home in Oakley for $250,000 in full (no loan). You rented it out over the last 18 years for $2,500 a month. In rent checks over the past 18 years, you received $540,000. It is now going for $540,000 when means you will profit $200,000 from the resell. All in all, you will profit $740,000!
High Yield Savings Account	Don't just have money lying around you house, put it into a bank account. Banks pay you (in interest) to keep your money with them. Usually a small percentage, but it's better than nothing! The average interest you gain from a typical bank account is 0.04%, which isn't much at all. A savings account allows the customer to earn interest on the account balance. Some accounts can earn up to roughly 2.5% in interest. To get an interest rate that high, you'll have to do your research. These accounts are usually a little riskier than your average bank account. Although these accounts are not always guaranteed, they are typically very safe investments. The money in the account can grow over time due to compound interest. Compound interest is interest calculated on the initial principal, which also includes all of the accumulated interest of previous periods of a loan. Overall, bank accounts are simple and easy investments that can give you a small (but generally safer) return.	When you were born, your parents/guardians placed $250,000 into a high yield savings account with a 2.5% interest rate. You've put $1,000 a year into the account. You now have $412,860 in the account, which means you profited $144,860 in interest!

Name: ________________________

Period: _____

Investing Your Money

Directions: Use the reading to fill out the chart below. Risk Meter means how risky (on a 1 to 10 scale) it is placing your money into that type of investment. So if you put 9 for the risk meter that means you believe it is very risky. Where it says Reward Rank, you will rank the four investments from 1 to 4 based on how much reward (profit) the investment typically offers. So, which of the four is the biggest reward (most profit) and which one is the least?

Investment	**How does this investment work? (in your own words)**	**Risk Meter (1-10)**	**Explain your risk meter!**	**Reward Rank (1-4)**
Stocks				
Bonds				
Property				
High-Yield Savings Account				

Short Answer Section

1. What is an investment?

2. Why should you invest your money as opposed to just letting your money sit idle in a vault? (Hint: starts with an "i")

3. What is inflation? (Hint: Look at the info sheet)

4. If you were gifted $250,000 from your family, which of the four investments would you choose to put your money in? Explain your reasoning!

5. Was there any relation to risk of the investment and the return/reward? If so, what is it? (Hint: no is not the answer)

6. How is method (way) of making money off the housing market and the stock market similar?

7. For most investments, you typically make money in the short-term or the long-term? Why do you think that is?

8. Why do you think the stock market is currently struggling?

9. What is one thing you learned from this week?