

Investor Protection Trust

THE BASICS OF SAVING & INVESTING: INVESTOR EDUCATION 2020

Presented by

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Secretary of State

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Investor Protection Trust (IPT)

- The primary mission of IPT is to provide non-commercial, independent, objective information needed by consumers to make informed investment decisions.
- IPT fulfills its mission through grants from the Investor Education Fund, working with State Securities Administrators, and developing programs under its own auspices.



What is the “Basics”?

- The “Basics of Saving and Investing” focuses on “**investor education**” – what people need to know about saving and investing in a savvy way.
- **Why “investor education” as a focus?** Students need to fully understand investing in order to prepare for a financially secure future.
- The “Basics” features a unique focus on **spotting/avoiding fraud** – encouraging students to sharpen their critical thinking skills.



Why teach investor education?

- Most Americans have to invest, but are unprepared to do so. Many teachers have defined-benefit contribution plans, but most other Americans **don't**.
- A June 2006 survey by the Center for Retirement Studies at Boston College shows the danger:
 - Only 20% of Americans are eligible for a pension - 80% must fend for themselves to finance their golden years.
 - 43% of Americans will not have enough saved to maintain their standard of living in retirement.
 - 25% have never enrolled in their company offered 401(k).
 - 45% cash out of their 401(k) when they change jobs.



Welcome to the “Basics”!



This is your first-hand look at:

*The Basics of Saving and Investing:
Investor Education 2020*

A product of the
Investor Protection Trust
www.investorprotection.org



Who wrote the “Basics”?

- The “Basics” was written by the Investor Protection Trust (IPT), created in 1993 to provide “independent and objective investor education” and promote investor protection.
- IPT is 100 percent independent.
- More than 40,000 high school teachers use IPT publications, including two previous investor education teaching guides. IPT has conducted over 350 teacher training sessions to date.
- More than 15 expert teachers have advised IPT on how to create teaching guides that work in the classroom.



Unit 1 – Getting Started

- Defining “Investor Education”
- Why people save and invest
- How to think about making financial decisions
- Key concepts of saving and investing
- Unit 1 test / answer key



Key Terms/Standards Up Front ...

THE BASICS OF SAVING AND INVESTING: INVESTOR EDUCATION 2020

UNIT ONE

UNIT 1: Getting Started

TEACHING STANDARDS/KEY TERMS

- ◆ Benefits
- ◆ Choices
- ◆ Compound interest
- ◆ Decision making
- ◆ Diversification
- ◆ Financial plan/Investment plan
- ◆ Goals
- ◆ Interest rate
- ◆ Investing
- ◆ Limited resources
- ◆ Market returns
- ◆ Needs vs. wants
- ◆ Opportunity costs
- ◆ Rainy day fund
- ◆ Risk
- ◆ Savings
- ◆ Time value of money
- ◆ Trade-offs
- ◆ Values

UNIT OBJECTIVES:

Students will:

- ◆ Discuss why people save and invest.
- ◆ Learn how to think about financial decisions.
- ◆ Understand key concepts of saving and investing (including the "time value of money").

Compound Interest

Goals

Interest Rate

Opportunity Cost

Risk



Unit Objectives Spelled Out ...

- Discuss why people save and invest
- Learn how to think about financial decisions
- Understand the key concepts of saving and investing (including the “time value of money”)

UNIT OBJECTIVES:

Students will:

- ◆ Discuss why people save and invest.
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Handouts in Every Unit ...

INVESTING IN THE REAL WORLD:

The 1998 Survey of Consumer Finances found that 62 percent of all households maintain a savings account, representing more than \$1 trillion in low-interest savings accounts. Using this data, the Consumer Federation of America and Provident Financial conducted

UNIT TEACHING AIDS:

LESSON 1: Investing in the Real World (*Handout, page 1.11*)

LESSON 2: Saving and Investment Products, (*Handout, page 1.14*)
Comparing Savings and Investment Products (*Worksheet, page 1.15*)

LESSON 3: Pyramid of Investment Risk (*Overhead and Worksheet, page 1.18 and 1.19*)
Investment Risk (*Quiz, page 1.20; Answer Key, page 1.21*)
Time Value of Money (*Chart and Worksheet, page 1.22 and 1.23*)
Rule of 72 (*Worksheet, page 1.24*)

UNIT TEST: (*Test, page 1.25 & 1.26; Answer Key, page 1.27*)

	is inflation risk	
SOURCE OF RETURN	Interest paid on money deposited	Interest, dividends, or capital gains or losses
RISK	Money is safe and accessible	Returns have outpaced inflation



Clear Outlines for Every Lesson ...

OBJECTIVE	<p>Students will:</p> <ul style="list-style-type: none"> • Start discussing the role of saving and investment products. • Analyze several savings products from various financial institutions.
MATERIALS	<ul style="list-style-type: none"> • "Comparing Savings Products" worksheet (Page 1.15). • Chart on board or newsprint charts. • Chalk, markers, or paper markers.
PROCEDURES	<p>Teacher will:</p> <ul style="list-style-type: none"> • Use the "Saving and Investment Products" overhead (Page 1.14) to differentiate between saving and investing. • Discuss common saving vehicles. • Discuss the following questions: <ul style="list-style-type: none"> ✓ Which savings/investment vehicles have higher rates of return? ✓ How are these instruments different? ✓ Based on how they are described, what instrument products are most effective for these investment goals: safety, growth, income? <p>Students will:</p> <ul style="list-style-type: none"> • Work individually or in small groups to complete "Comparing Savings and Investment Products" worksheet. Information may be gathered via the Internet, newspapers, or telephone. • Present research to class members by posting it on master forms, blackboard, newsprint charts, or in short oral presentations.
ASSESSMENT	<ul style="list-style-type: none"> • "Comparing Savings and Investment Products" worksheet or class presentations.



Inside a “Basics” Unit ...

Unit 1 – GETTING STARTED (PP 1.1—1.27)

- ◆ Defining “Investor Education”
- ◆ Why People Save and Invest
- ◆ How to Think About Making Financial Decisions
- ◆ Key Concepts of Saving and Investing
- ◆ Unit 1 Test/Answer Key



Close-up: A Unit 1 Lesson ...

- Why people save and invest
 - Preparing for a career, often by going to college
 - Saving for a major purchase or expense
 - Building up a “rainy day” fund
 - Developing a personal financial/investment plan
 - Starting a saving and investing program

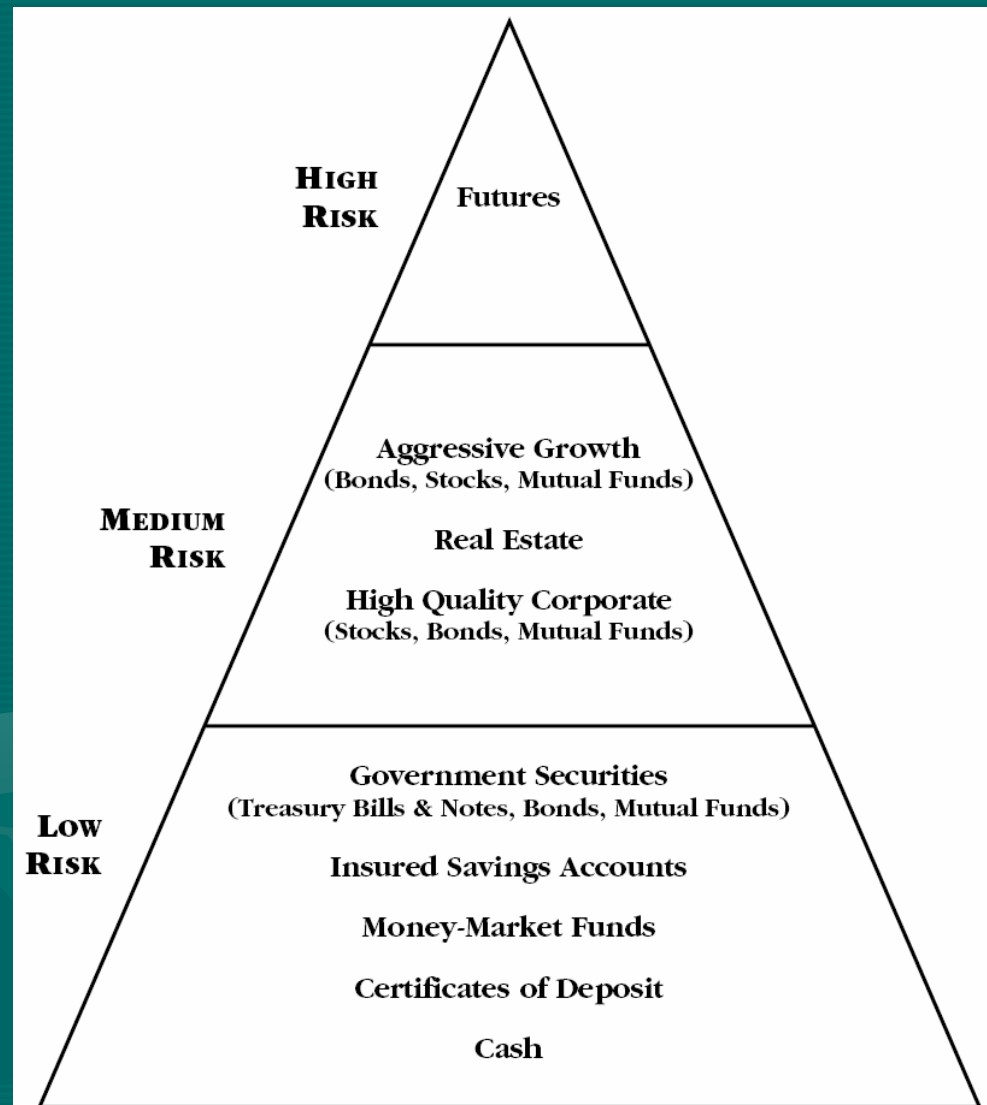


Another Unit 1 Lesson ...

- Key Concepts of Saving and Investing
 - 1. Pay yourself first
 - 2. Set goals that inspire success (short, medium and long term)
 - 3. Don't take unnecessary risks
 - 4. Put time to work for you
 - 5. Diversify!



Great Illustrations for Overheads ...

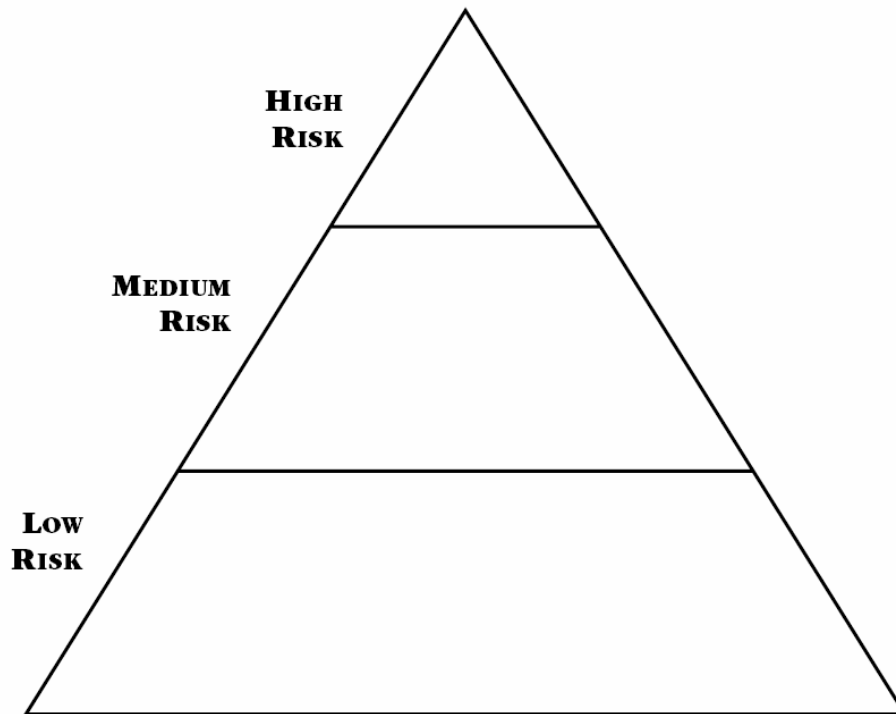


Pop Quiz: Try This Out!

Name _____ Date _____

PYRAMID OF INVESTMENT RISK

Place the investment products in the correct location on the pyramid



Aggressive Growth Stocks
Corporate Bonds
Futures
Gov't Securities/Bonds
Aggressive Growth Mutual
Fund

Real Estate
U.S. Savings Bonds
Aggressive Growth Bonds
Savings Account
Cash

High Quality Stocks
High Quality Mutual Funds
Money Market Funds
Certificate of Deposit

Can you place the following?

Futures

Real Estate

High Quality Stocks

Aggressive Growth Bonds

High Quality Corporate Bonds

Government Bonds

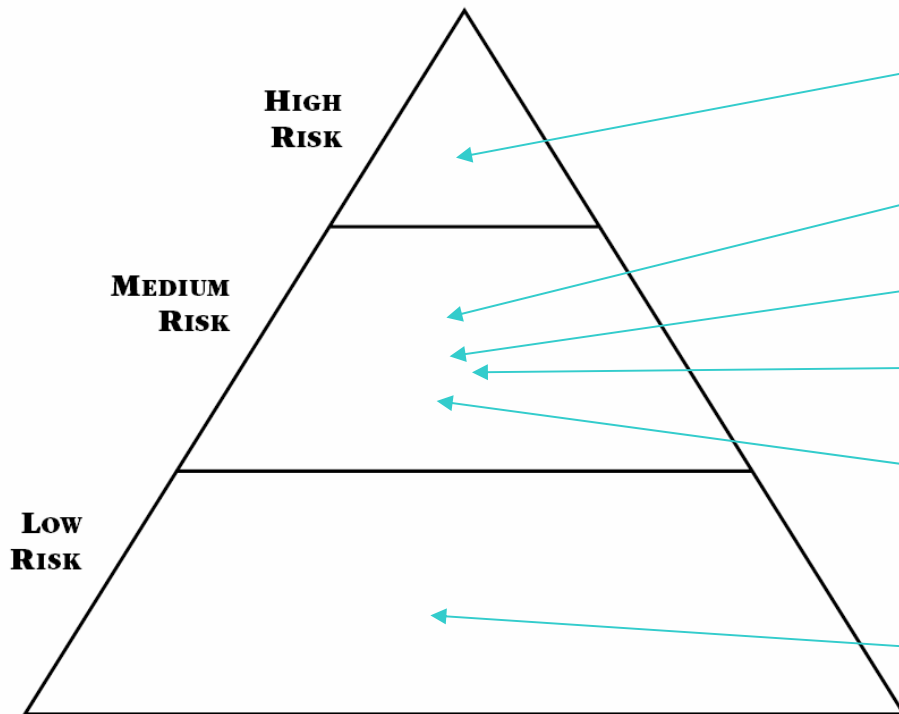


Pop Quiz: Your Answers!

Name _____ Date _____

PYRAMID OF INVESTMENT RISK

Place the investment products in the correct location on the pyramid



Aggressive Growth Stocks
Corporate Bonds
Futures
Gov't Securities/Bonds
Aggressive Growth Mutual Fund

Real Estate
U.S. Savings Bonds
Aggressive Growth Bonds
Savings Account
Cash

High Quality Stocks
High Quality Mutual Funds
Money Market Funds
Certificate of Deposit

Can you place the following?

Futures

Real Estate

High Quality Stocks

Aggressive Growth Bonds

High Quality Corporate Bonds

Government Bonds



Printable Quiz Forms / Clear Keys

Name _____ Date _____

INVESTMENT RISK—QUIZ

1. Bob Smith is saving for the down payment on a new car. If he is very careful with his money, he will have the full down payment in six months. Because his time frame is short, he is deciding between a low-risk saving option and a moderate-risk investment account. What would you recommend for Bob in these circumstances and why?
2. Jinhee Lee just graduated from college and began her first job. She has always wanted to buy a condo and believes that she could save enough for the down payment in three to five years. Would you recommend Jinhee place her money in a low- or moderate-risk investment vehicle? Why do you recommend this choice?
3. Juanita Romero is 16 and has earned some extra money at her summer job. She decides to invest it and let it grow until retirement. She has 49 years until retirement and realizes she can accept some risk. She's deciding between an investment that has moderate risk and one that has a slightly higher risk and the possibility of a higher return. What do you recommend Juanita choose and why?
4. Raemon and Keesha Wilson have a two-month-old baby girl and they are already planning for her college costs. They deposited a small amount into a savings account but are looking at several different investment options. Do you recommend that the Wilson's look mainly at low-, moderate-, or high-risk investments?

INVESTMENT RISK—ANSWER KEY

Some students may have answers that differ from those below. Teachers may choose to correct this quiz on a case-by-case basis if a student properly defends his or her answer.

1. Low risk because of the short time frame.
2. Moderate risk because of the moderate time frame.
3. Moderate or moderately high risk because of the long time frame.
4. Moderate risk because of the moderate to long time frame.



Unit 2 – Intro to Financial Markets

- Understanding risk and reward
- How financial markets work
- Savings, stocks, bonds, mutual funds and other investments
- Regulation of financial markets
- Unit 2 test / answer key

Unit 3 – Financial/Investment Plan

- Introduction to financial/investment plans and core concepts
- Framing a plan to meet students' financial goals
- Selecting financial professionals
- Unit 3 test/answer key



Unit 4 – Investment Fraud

- Introduction to investment scams
- How telemarketing fraud works: Inside a “Boiler Room”
- Teach your students to become “Victim Proof”: Self-defense tips against fraud
- How regulators protect investors
- Unit 4 test/answer key



Appendix

- **Resources** – the best in print and online!
- **Materials** – with an emphasis on free content.
- **Organizations** – the experts you can trust.
- **Agencies** – state officials are standing by to help you in the classroom.
- **Glossary of terms** – zeroing in on the key concepts of “investor education”.



Now ... It's Up to You!

- Students need the “Basics”! The best time to get someone comfortable with investing is to start early.
- The “Basics” is designed to walk you and your students through every step in the investing process – you may even learn a thing or two yourself!
- Students who learn to spot and avoid fraud can apply those critical thinking skills to other topics.



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