



Moneywise
America™



INVESTING OPTIONS

*Types of investments,
asset classes, and the
benefits of
diversification.*

*Teen
guide*



Pre/Post Self-Reflection

First Name: _____

Age: _____



Pre-Session

Before beginning the session “Investing Options,” please respond to the following question:

How can creating a diversified investment portfolio help me reach my future goals?



Post-Session

After finishing the session “Investing Options,” please respond to the following question:

How can creating a diversified investment portfolio help me reach my future goals?



Investment Portfolio Case Study

Directions: In **Part A**, as a whole group, read the investment definitions and risk levels. In **Part B**, examine Investment Portfolios 1, 2, and 3 and track their returns after 10 and 20 years. In **Part C**, discuss the different portfolios and their performance over time. Then, answer the questions.

PART A: Read the investment definitions and assess their risk level. *Note: risk refers to the chance that the actual return differs from the expected return. Higher risk includes a higher level of volatility and higher chance and degree of potential loss.*

Type of Investment	Definition	Level of Risk
Individual Stocks	Investing in a company by buying a share or shares and becoming a part owner of that company.	High risk but has the greater potential to increase investment over time.
Stock Mutual Funds/ETFs	Investing in a basket or pool of stocks that can provide more diversification than investing in an individual stock.	High risk with ability to mitigate risk by selecting diversified funds or ETFs.
Bonds	Loaning money to a company or the government that promises to pay you back by a certain date plus interest. Like an “IOU” payment with interest.	Lower risk and more predictable but typically have a lower return on investment than stocks.
Cash Savings	Putting money in an FDIC-insured bank or credit union. Your money is covered (up to \$250,000) and you are typically paid interest on your deposits.	Lowest risk, and lowest potential return on investment.

PART B: Examine Investment Portfolios 1, 2, and 3. You will assess their initial investment, and then their returns after 10 and 20 years.

PORTFOLIO 1: Investment in Stocks			
At purchase	At 10 years		At 20 years
<p>Original Investment: \$15,000</p> <p>You purchase stocks from Electronic Arts, Nintendo, and Sony, buying an equal dollar amount of each stock.</p> <p>Rationale: You’re a gaming fan and think it’s a trend that’s here to stay. You think it’s a smart investment because gaming companies are always competing, so you think they’ll continue to work hard to make money. The industry is always changing.</p>	<p>Economic Report:</p> <p>While gaming remains popular, there is lot of competition. The financial crisis hit stocks hard, but new gamers continue to enter the market.</p>		<p>Economic Report:</p> <p>Companies lost value in the financial crisis but recovered over time. Gaming keeps evolving with lots of new technology, including mobile and digital.</p>
	<p>Performance:</p> <p>Your investment is now worth \$9,408.</p>	<p>% gain/loss:</p> <p>Your investment loss is -37%.</p>	<p>Performance:</p> <p>Your investment is now worth \$42,827.</p>
			<p>% gain/loss:</p> <p>Your investment gain is 185%.</p>

PORTFOLIO 2: Investment in Stocks, Bonds, and Cash Savings

At purchase	At 10 years	At 20 years
<p>Original Investment: \$15,000</p> <p>\$11,250 in an investment that tracks an index like the S&P 500, which is comprised of some of the largest US companies.</p> <p>\$2,250 in bonds.</p> <p>\$1,500 in a cash savings account.</p> <p>Rationale: You don't like to put all your eggs in one basket, so you look for a way to buy a diversified basket of stocks in many different industries. Since you've heard the value of spreading your money across stocks, bonds, and cash, you spread your money across different types of investments, too.</p>	<p style="text-align: center;">Economic Report:</p> <p>Some economies around the world are slowing down and consumers of US companies are increasingly 'values conscious.' But many companies are finding new ways of leveraging technology to reduce costs. Investors are interested in brands and innovation.</p> <p style="text-align: center;">Performance: % gain/loss:</p> <p>Your investment is now worth \$20,530. Your investment gain is 37%.</p> <p>Stocks: \$14,806 Stocks: 32%</p> <p>Bonds: \$3,921 Bonds: 74%</p> <p>Cash Savings: \$1,803 Cash Savings: 20%</p>	<p style="text-align: center;">Economic Report:</p> <p>Companies lost value in the financial crisis but recovered over time. Most, but not all, stocks are worth more than they were 10 and 20 years earlier.</p> <p style="text-align: center;">Performance: % gain/loss:</p> <p>Your investment is now worth \$75,202. Your investment gain is 401%.</p> <p>Stocks: \$168,138 Stocks: 506%</p> <p>Bonds: \$5,150 Bonds: 129%</p> <p>Cash Savings: \$1,914 Cash Savings: 28%</p>

PORTFOLIO 3: Investment in Cash Savings

At purchase	At 10 years	At 20 years
<p>Original Investment: \$15,000</p> <p>Rationale: You are nervous about the risks of the stock market, so you are going to just stick with cash for your savings.</p>	<p style="text-align: center;">Economic Report:</p> <p>Business performance goes up and down, and you keep all your cash in savings.</p> <p style="text-align: center;">Performance: % gain/loss:</p> <p>Your investment is now worth \$18,026. Your investment gain is 20%.</p>	<p style="text-align: center;">Economic Report:</p> <p>The market continued to experience ups and downs, but cash produces lower returns than other investments. You never invested in any stocks or bonds and tried to play it safe with cash.</p> <p style="text-align: center;">Performance: % gain/loss:</p> <p>Your investment is now worth \$19,139. Your investment gain is 28%.</p>

PART C: After examining the initial investment report as well as the 10-year and 20-year report for the three investment portfolios, answer the questions below.



What do you notice about each account over time?



How did diversification affect the amount of money earned over time? What are the pros and cons of diversifying?



Why do you think the portfolios performed differently?

*Source: Schwab Center for Financial Research with data provided by Morningstar, Inc. For illustrative purposes only. The return figures are the average, the maximum, and the minimum annual returns of hypothetical asset allocation plans. The asset allocation plans are weighted averages of the performance of the indices used to represent each asset class in the plans and are rebalanced annually. Returns include reinvestment of dividends and interest. The indices representing each asset class are S&P 500® Index (large-cap stocks), Russell 2000® Index (small-cap stocks), MSCI EAFE® Index-Net of Taxes (international stocks), Bloomberg Barclays U.S. Aggregate Bond Index (fixed income), and FTSE U.S. 3-month Treasury Bill Index (cash investments). CRSP 6-8 was used for small cap stocks prior to 1979, Ibbotson Intermediate-Term Government Bond Index was used for fixed income prior to 1976, and Ibbotson U.S. 30-day Treasury Bill Index was used for cash investments prior to 1978. Indices are unmanaged, do not incur fees or expenses, and cannot be invested in directly. For additional information, please see <https://www.schwab.com/resource/index-and-investment-term-definitions>. Past performance is no indication of future results.



My Investment Portfolio

Directions: Imagine it's 10 years into the future and you have \$15,000 to invest. In **Part A**, decide on some future goals for investment and then analyze the three investment portfolio options along with the risk associated with the investments they hold. Then, answer the questions in **Part B**.

PART A: Brainstorm future goals that you would need to invest for and think about when you would need to access that money. Then, analyze the three investment portfolio options by looking at their holdings (what each consists of), and the level of risk associated with each type of investment.



What are some goals you think you'll be investing for?




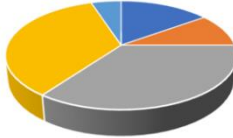
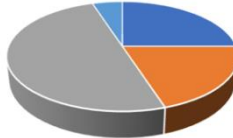
When do you think you'll want to access the money you invest?

___ < 5 years

___ 5 - 10 years

___ 11 - 20 years

___ 20+ years

Investment Portfolio Options		
Conservative/Lower Risk Investment Portfolio	Moderate/Medium Risk Investment Portfolio	Aggressive/Higher Risk Investment Portfolio
 <ul style="list-style-type: none"> ■ International ■ US Small/Mid ■ US Large ■ Long Term Bonds ■ Cash Investments/Short Term Bonds <p>Performance Avg. annual return: 7.4% Best year: 22.8% Worst year: -4.6%</p> <p>If you invest \$100 in the Conservative Portfolio, based on historical returns, at the end of a year your portfolio could be as high as \$122.80 or as low as \$95.40.</p>	 <ul style="list-style-type: none"> ■ International ■ US Small/Mid ■ US Large ■ Long Term Bonds ■ Cash Investments/Short Term Bonds <p>Performance Avg. annual return: 9.5% Best year: 30.9% Worst year: -20.9%</p> <p>If you invest \$100 in the Moderate Portfolio, based on historical returns, at the end of a year your portfolio could be as high as \$130.90 or as low as \$79.10</p>	 <ul style="list-style-type: none"> ■ International ■ US Small/Mid ■ US Large ■ Long Term Bonds ■ Cash Investments/Short Term Bonds <p>Performance Avg. annual return: 10.3% Best year: 39.9% Worst year: -36%</p> <p>If you invest \$100 in the Aggressive Portfolio, based on historical returns, at the end of a year your portfolio could be as high as \$139.90 or as low as \$64.</p>

Portfolio Holdings: Each of the investments in a portfolio has a risk level and can be ranked in terms of risk.

Portfolio Holdings		
Type of Investment	Risk Level (5 High/1 Low)	Examples of Investments
Large and Small International Company Stock	5	Samsung (Korean electronics company), Alibaba (Chinese retail and ecommerce company), Roche (Swiss healthcare company), Saras S.p.A. (Italian energy company), West Fraser Timber (Canadian Lumber Company), ASR Nederland (Dutch insurance company)
US Small and Mid-Size Company Stock	4	Alcoa (Aluminum producer), First Horizon (Financial Services), Hilton (Hotels)
US Large Company Stock	3	Apple (Technology), Exxon (Energy), Johnson & Johnson (Healthcare)
Long Term Bonds	2	City, State, National and Corporate Bonds
Short Term Bonds (payable within a year) and Cash	1	City, State, National and Corporate Bonds with maturities of less than a year and Cash

PART B: After examining the information for the three investment portfolios, answer the questions below.



After considering your goals as well as the upside and downside potential of each portfolio, which one would you choose?



What factors contributed to your decision?



Take a guess at what your \$15,000 investment would be worth after 20 years if you'd left it in your selected portfolio the whole time:

*Source: Schwab Center for Financial Research with data provided by Morningstar, Inc. For illustrative purposes only. The return figures are the average, the maximum, and the minimum annual returns of hypothetical asset allocation plans. The asset allocation plans are weighted averages of the indices used to represent each asset class in the plans and are rebalanced annually. Returns include reinvestment of dividends and interest. The indices representing each asset class are S&P 500® Index (large-cap stocks), Russell 2000® Index (small-cap stocks), MSCI EAFE® Index-Net of Taxes (international stocks), Bloomberg Barclays U.S. Aggregate Bond Index (fixed income), and FTSE U.S. 3-month Treasury Bill Index (cash investments). CRSP 6-8 was used for small cap stocks prior to 1979, Ibbotson Intermediate-Term Government Bond Index was used for fixed income prior to 1976, and Ibbotson U.S. 30-day Treasury Bill Index was used for cash investments prior to 1978. Indices are unmanaged, do not incur fees or expenses, and cannot be invested in directly. For additional information, please see <https://www.schwab.com/resource/index-and-investment-term-definitions>. Past performance is no indication of future results.



Session Evaluation Survey

Thank you for your participation in today's session! We appreciate you taking a couple of minutes to provide your feedback. **Your response is important to us and is completely anonymous.** Your input will help us continue to improve our programs supporting teens on their journey to financial freedom.

How to Complete this Survey

You can access and [complete the survey online here](#). If you prefer, you can complete a hard copy of the survey below, and hand it in to your Schwab facilitator at the end of your session. Either way, please make sure to submit your survey at the close of your session.

Survey Questions

1. What Moneywise America session did you participate in? **(REQUIRED)**
 - a. Get Started: Intro to Money Basics
 - b. Personal Goals and Decision Making
 - c. Session 1.0: Set Money Goals
 - d. Session 2.0: Manage Your Money
 - e. Session 3.0: Master Credit & Debt
 - f. Session 4.0: Plan for the Future
 - g. Session 5.0: Get Invested

2. I feel more confident about my understanding of money and how to manage it. **(REQUIRED)**
 - a. Strongly Agree
 - b. Agree
 - c. No Change
 - d. Disagree
 - e. Strongly Disagree

3. How likely are you to use information from this session to make decisions to help you reach your future financial goals? **(REQUIRED)**
 - a. Highly Likely
 - b. Likely
 - c. Neutral
 - d. Unlikely
 - e. Highly Unlikely

4. I have a clear understanding of the key personal finance topics that were presented during the session. **(REQUIRED)**
- a. Strongly Agree
 - b. Agree
 - c. No Change
 - d. Disagree
 - e. Strongly Disagree

If you selected Disagree or Strongly Disagree for Question 4, please explain specifically what components of the lesson were unclear or confusing.

5. Why is it important for teens to learn about personal finance? **(OPTIONAL)**

6. Is there any other feedback that you'd like to share about the session or the content covered? **(OPTIONAL)**

Thank You

Thank you for taking the time to provide your feedback. We appreciate your input as we continue to support teens on their journey to financial freedom.