

Instructors Guide:
Adult - Advanced



Financial Capability Curriculum



Financial Capability Curriculum

Instructors Guide

Adult Advanced

Adult Foundation

College

High School

6th - 8th Grade

3rd - 6th Grade

PK - 2nd Grade



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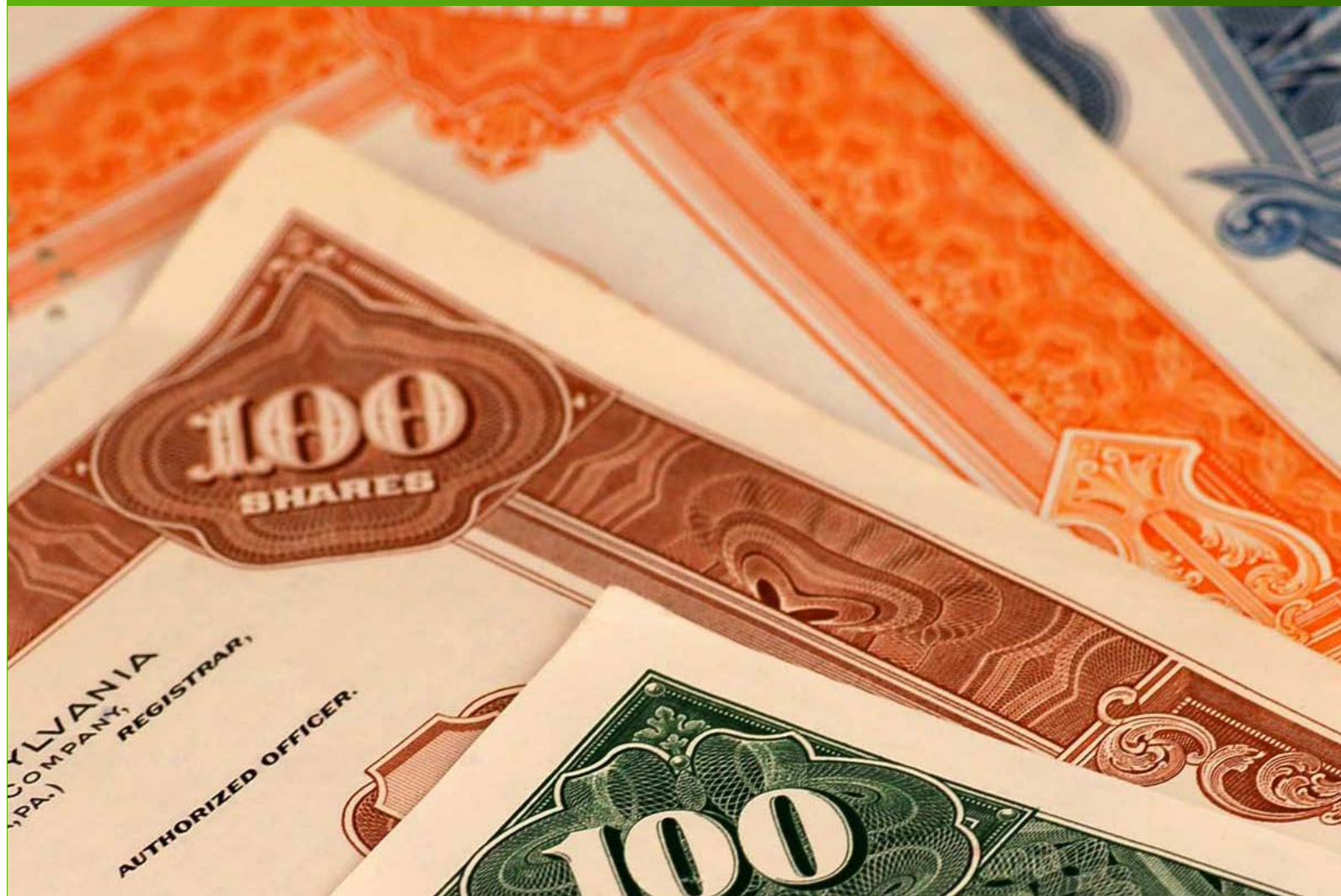
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Investments





Investments

In this unit participants will gain an understanding of what investing is. Within these lessons they will learn about a variety of investment strategies and techniques to increase long-term financial security.

Introduction to Investing

Duration ♦ 20 – 30 minutes

Lesson Overview ♦ Students will learn the types of assets and how to calculate cash flow and return on investment. They will understand how these calculations relate to their net worth and ability to achieve financial freedom.

Big Idea

- ♦ There are different types of investments.
- ♦ There is a specialized vocabulary associated with investing.
- ♦ There are tools and formulas to calculate the costs and return on an investment.
- ♦ There are many considerations when evaluating investment options.

Essential Questions At the end of the lesson, students should be able to answer the following:

- ♦ What is cash flow?
- ♦ What is net worth?
- ♦ What does ROI stand for and what does it mean?
- ♦ What does financial freedom mean to you?

Skills

- ♦ Ability to determine one's cash flow.
- ♦ Ability to calculate return on investment (ROI).

Vocabulary

- ♦ Cash flow – difference between money available at the beginning and end of an accounting period.
- ♦ Tangible assets – things of value that have physical form.
- ♦ Intangible assets – things of value that do not have physical form.
- ♦ Return on investment (ROI) – an investment's financial yield divided by its cost.

Anticipatory Set

Direct students to the **Warm-up Activity** in their Student Guides and instruct them to write down what each of the quotes means to them.

“When you’re making money doing what you love, you are already retired.”

Introduction to Investing

“Many describe the new retirement as having the freedom to do what you want to do, when you want to do it.”

When they have finished, discuss their answers.

Lesson Explanation: Preparing to Invest

Tell students that the purpose of investing is to achieve financial freedom. They want to be able to live the lifestyle they want, without worrying about paying bills and making ends meet. Financial freedom means you'll be able to retire and spend time doing things you want to do. To become financially free it's important to get your money starting to grow for you, instead of having to work for every penny.

Go over the following definitions having to do with investments and financial freedom.

- **CASH FLOW** is the difference between the money you have available at the beginning and end of an accounting period.
 - **Positive** cash flow: Cash coming in is greater than cash going out.
 - **Negative** cash flow: Cash going out is greater than cash coming in.
 - **Breakeven** cash flow: Cash coming in and cash going out are the same.
- **NET WORTH** equals Assets minus Liabilities.
- **ASSET** is any item of economic value owned by a person or corporation
 - **Tangible** assets include gold, real estate, stocks.
 - **Intangible** assets are things you own that have value but are not physical in nature.
EXAMPLES include copyrights, trademarks, brand recognition, and community goodwill.

Discuss whether intangible assets are more or less secure than tangible assets and ask participants whether they have any intangible assets.

- **LIABILITY** is a loan and/or other obligation you have to pay.
- **RETURN ON INVESTMENT (ROI)**. This performance measure helps investors compare the return offered by one investment to returns on other investments. ROI is calculated by dividing an investment's financial yield by its cost. The result is expressed as a percentage or ratio.

Lesson Activity: Investment Definitions

Direct students to the **Investment Definitions Activity** in their Student Guides, which is comprised of three portions. Have them complete each portion immediately after you have reviewed the term's definition.

Investments

1. CASH FLOW

You receive a **\$1,500** check from a tenant on a rental property that you own. That month, your mortgage, insurance, taxes, and other rental property- related expenses for that unit come to **\$1,300**. Complete the following statement:

In the example above, the rental property provides the owner a
[type] _____ cash flow of
[amount] \$_____ per month.

Answers: **positive** cash flow of **\$200** per month

2. ASSETS

Which are more secure: X **tangible** assets or _____ **intangible** assets?

Why?

3. ROI (Return on Investment)

Assume you purchased \$1,000 worth of stock. After a year, the stock is worth \$1,100.
What did you earn on the investment? \$_____ [financial gain]

Use the formula to determine the percentage of ROI.

$$\frac{\text{_____}}{\text{[Financial Gain]}} \div \frac{\text{_____}}{\text{[Cost of Investment]}} = \frac{\text{_____}}{\text{[ROI]}} \%$$

Answers: financial gain is **\$100**; ROI is **10%**

Lesson Questions

1. Having a break-even cash flow at the end of an accounting period means:
 - a. You had more cash going out than coming in.
 - b. You had more cash coming in than going out.
 - c. You had a net worth higher than your amount of assets.
 - d. Your cash going out and cash coming in were the same.**
 - e. Your bank account is empty.
2. Tangible assets might include:
 - a. Real estate and stocks.**
 - b. Net worth and liabilities.
 - c. Clothing and food.
 - d. Copyrights and trademarks.

Introduction to Investing

3. ROI is calculated by:

- a. Dividing net worth by investments.
- b. Dividing tangible assets by intangible assets.
- c. **Dividing financial gain by the cost of the original investment.**
- d. Multiplying risk times potential return.
- e. Multiplying assets times liabilities.

Lesson Review

- ◆ Instruct participants to complete the **Essential Questions** in the Student Guide.

Closing Activity/ Remarks

- ◆ Facilitate a discussion about the answers to the **Essential Questions**.
- ◆ Advise students that the things they learned in this lesson are great tools to help set goals toward retirement and financial freedom. When people reach a stage where their cash flow can support their lifestyle, or when they have a large enough net worth that they can draw money from that investment for a lifetime, these are good indicators of financial freedom.

Investment Checklist

Duration	◆ 20 – 30 minutes
Lesson Overview	◆ Students will identify the steps they should take to prepare for implementing their investment plan, and make a commitment to take those steps.
Big Idea	◆ There are benefits and risks to investing. There are different types of investments. There are different investment principles and strategies. The economy and financial markets impact your investment. There are ways to align your investments with your personal financial goals. The risk and reward of different investment options varies.
Essential Questions	At the end of the lesson, students should be able to answer the following: ◆ What are the steps I should take to prepare for investing?
Skills	◆ Knowledge of the important steps to prepare for investing.
Vocabulary	◆ Due Diligence

Anticipatory Set

Direct students to the **Warm-up Activity** in their Student Guides and have them write the answer to the question:

- “What steps should I take before I start investing?”

Discuss their answers.

Lesson Explanation: Becoming Prepared to Invest

Tell participants that there are many compelling reasons why they should begin investing to get their money working for them, instead of having to work for every dollar they earn. But before they take the plunge and start investing, there are some important steps they need to take to become prepared.

The most important thing they need before they invest is knowledge. Knowledge forms the foundation of your investment strategy and financial planning. Once you have gained a solid

Investment Checklist

knowledge base about all the available investment options, your next most important step is to build a trusted team of advisors.

Another key component of investment preparation is freeing up risk capital to use for your investments. Before implementing any investment strategy you should build up an emergency savings fund that equals between 6 and 24 months' worth of your expenses. Then if your income source were to dry up (for example, if you lose your job), you could still meet your obligations for that number of months.

Once you have an emergency fund that would last you 6-24 months and a working budget that includes a good savings plan, you can start building up risk capital that you can afford to invest. Minimizing bad debt should be an important focus of your budget.

Finally, you need to develop an overall investment plan that aligns with your lifestyle goals and matches your risk tolerance. You should include an exit plan in case an investment doesn't perform as predicted. Don't forget to conduct due diligence research on every investment you're considering.

Lesson Activity: Investment Preparation Checklist

Direct students to the **Investment Preparation Checklist Activity** in their Student Guides and instruct them to complete the **KNOWLEDGE** section.

Have them circle the number that represents their current financial knowledge level and underline the number that represents the knowledge level to which they plan to improve their personal financial knowledge within one year.

1	2	3	4	5	6	7	8	9	10
Low					High				

Tell participants that the next most important step is building a trusted team.

Ask students why trust is so important and discuss their responses. Then have them go to the **TRUSTED TEAM** portion of the Activity and check off each team member they already have in place or plan to add within the next year.

- | | |
|---|--|
| <input type="checkbox"/> Tax planner | <input type="checkbox"/> College planner |
| <input type="checkbox"/> Attorney | <input type="checkbox"/> Financial mentors |
| <input type="checkbox"/> Financial advisors | <input type="checkbox"/> Insurance agent |
| <input type="checkbox"/> Realtor or mortgage professional | |

Remind participants that before they consider investing, they need to be sure to have 6 to 24 months of emergency funds put away. Having a 6-24 month emergency fund in place means that if they suddenly have no income, they could still pay their obligations for that many

Investments

months. The amount they need to save varies depending on their skill level and ability to find new employment if they lose their current job.

Instruct students to complete the **EMERGENCY SAVINGS** section of the Activity.

- ☐ I currently have _____ months in emergency savings.
- ☐ Within one year I will have _____ months of emergency money saved.
- ☐ I have a working budget in place. ☐

Review the definition of risk capital – money that they can afford to lose without being in dangerous financial circumstances. Then have the students complete the **RISK CAPITAL** section of the Activity.

Once I build up my emergency fund, I will start to save risk capital. Risk capital is money that I can invest without risking dangerous financial circumstances.

I will start saving risk capital to invest by [date] _____.

Next, tell the class that they must have minimal bad debt, and have a working budget in place that allows them to save money each month. Instruct them to complete the **MINIMAL BAD DEBT** portion of the Activity.

If your investments are earning 6% and you're paying 24% interest on credit card debt, what action should you explore? Why?

If you owed \$20,000 on a credit card at a 0% interest rate and you received \$20,000, would it be better to pay off your credit card or to invest that money? Why?

Discuss the questions with students. Be sure to point out the risk involved in the second example when you invest with borrowed money.

Explain the importance of creating an overall investment plan and determining how each investment being considered fits into that plan, then have students fill out the **PLAN** section of the Activity.

I will have solid ideas on my investment and retirement plan by the end of this coursework.

Check here ☐ if over the next 12 months you will take time to finalize your plan, even if you don't yet have enough money saved to risk yet.

Discuss why it's important to have an exit plan in place in a case an investment doesn't go as planned. Tell them they should conduct due diligence research on each specific investment they consider.

Investment Checklist

Tell them that due diligence means educating yourself on the investment you're researching and doing your homework before committing your hard-earned money. Instruct them to complete the **DUE DILIGENCE** portion of the Activity.

Check here ☐ if you will perform due diligence on the specific investments or companies in which you consider investing.

Lesson Questions

1. What is the first, most important step you should take before you start investing?
 - a. Conducting due diligence
 - b. Having a trusted team
 - c. **Gaining knowledge**
 - d. Borrowing money
 - e. Selling off assets
2. Why is minimizing bad debt important to an investment plan?
 - a. **Bad debt carries high interest rates that will decrease the amount you earn on your investments.**
 - b. Having bad debt looks negative on a budget.
 - c. Bad debt increases the brokerage fees you have to pay.
 - d. Having bad debt will interfere with your exit plan.
3. It's a good idea to start creating an overall investment plan even if you don't yet have enough money saved to risk investing.
 - a. **True**
 - b. False

Lesson Review

- ◆ Get the students' commitment to take the necessary steps to prepare for investing.
- ◆ Instruct students to answer the **Essential Questions** in the Student Guide.

Closing Activity/ Remarks

- ◆ Facilitate a discussion about the answers to the **Essential Questions**.

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c) Forward-Looking Statements. Materials contained in this course, or on the website where the course was purchased, may contain information that includes or is based upon forward-looking statements within the meaning of the securities litigation reform act of 1995. Forward-looking statements give our expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," and other words and terms of similar meaning in connection with a description of potential earnings or financial performance. Any and all forward looking statements in the course or on the website are intended to express our opinion of earnings potential. Many factors will be important in determining your actual results and no guarantees are made that you will achieve results similar to ours or anybody else, in fact no guarantees are made that you will achieve any results from our ideas and techniques in our materials.

d) Due Diligence. You are advised to do Your own due diligence when it comes to making business decisions and should use caution and seek the advice of qualified professionals. You should check with Your accountant, lawyer, investment advisor, or other appropriate professional before acting on this or any information. You may not consider any examples, documents, or other content on the course or otherwise provided by us to be the equivalent of legal, accounting, or investment advice. Nothing contained in the course or in materials available for sale or download on the website provides legal, investment, or accounting advice in any way. You should consult with your own attorney, financial investment advisor, and accountant with any questions you may have. We assume no responsibility for any losses or damages resulting from your use of any information or opportunity contained within the course, on the related website, or within any information disclosed by the owner of the course and the website in any form whatsoever.

e) Purchase Price. Although we believe the price is fair for the value that you receive, you understand and agree that the purchase price for this financial education course has been arbitrarily set by us. This price bears no relationship to objective standards.

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f) Testimonials & Examples. Testimonials and examples for this course and on the related website are exceptional results, do not reflect the typical purchaser's experience, don't apply to the average person and are not intended to represent or guarantee that anyone will achieve the same or similar results. Where specific income or earnings (whether monetary or advertising credits, whether convertible to cash or not), figures are used and attributed to a specific individual or business, that individual or business has earned that amount. There is no assurance that you will do as well using the same information or strategies. If you rely on the specific income or earnings figures used, you must accept all the risk of not doing as well. The described experiences are atypical. Your financial results are likely to differ from those described in the testimonials. You understand that this course has not been available for purchase long enough for us to determine what are typical financial results.