Diversification & Risk

MODULE 7: LESSON GUIDE

This module will discuss the different types of risk present while investing. It will then get into how we can mitigate some of the risks to the stock market but not all of them. This is done through diversification in the stock market by spreading your investments across industries. We will discuss FETCH, which is an acronym that shows the industries required even if there is a recession. Afterwards we will expand into diversifying beyond the stock market and what that can look like.

Time Required: 60-90 minutes

SUPPLIES:

Notebooks
Internet Access
Projector
Activity Sheets (Optional)

ACTIVITIES & ARTICLES

ACTIVITIES

- A Deeper Dive Into Risk
- Analyze A Basic Portfolio
- Diversify This Portfolio
- Introduction To Bonds & Stock Market Recap
- Understanding Different Risk Types
- Student Interview On Risk

ARTICLES

- Different Assets Mean Different Risks & Returns
- Dividends Versus Growth Stocks
- How Do You Quantify Risk?
- How Risk Tolerance Impacts How You Trade
- Strategies To Mitigate Investment Risk
- The Delicate Balance Of Risk & Reward
- Different Financial Instruments

GUIDING QUESTIONS

- What are the different types of risk?
- How can risk be mitigated through time and/or diversification?
- What does diversification mean when it comes to investing?
- What does the acronym FETCH stand for?
- What does dollar-averaging mean?
- What other investments are there other than the stock market?
- How should you allocate your investments?

ENDURING UNDERSTANDINGS

- Everyone has a different risk profile that they are comfortable with and it is important to figure out how much risk you personally are comfortable with before investing.
- Investing in different companies and asset classes can reduce a lot of risks but never eliminate all of them.
- The five industries that are needed despite the current economic climate.
- Deciding on an investment strategy before starting investing for real can save you a lot of trouble in the future.

STANDARDS ALIGNMENT

Investing:
8.1a-b, 8.2a-c, 8.4b, 8.5a, 8.6a-b, 12.1a, 12.1a-c, 12.3a-d, 12.6a-d, 12.10a-b

Managing Risk:
8.5a