

Access Your Potential®
Financial Literacy

Planning for the Future

**A lesson on saving and investing
for grades 9–12**

Planning for the Future

A lesson saving and investing 9–12

Preview

Lesson description

In this lesson, students will learn about options for saving and investing and consider ways that people can create a portfolio that meets their needs. Students begin the lesson with a gallery walk in which they consider six questions related to investing. Students then learn about different saving and investment options including savings accounts, CDs, stocks, bonds, and mutual funds. The lesson concludes with students working in groups to prepare and present investment portfolio recommendations for a hypothetical client.

Objectives

Students will be able to:

- Explain the difference between saving and investing
- Compare options for saving and investing
- Identify an investment plan based on a scenario and present reasons for selecting this strategy

Lesson at-a-glance

| Section | Purpose | Approximate time |
|---|---|----------------------|
| Introduction | Introduce the presenter and the topic of the lesson | 5 minutes |
| Activity: Who, What, When, Where, Why, and How of Investing | Students answer six questions about investing to help gauge prior learning and introduce the topic. | 10–15 minutes |
| Activity: Taking Note of Saving and Investing Options | Students review information about saving and investing options and add notes. | 5–10 minutes |
| Activity: Picking Portfolios | Students work in small groups to recommend a portfolio for a hypothetical investor. | 25–30 minutes |
| Closing | Students are reminded of the importance of saving and investing and encouraged to develop a plan to save a portion of their income. | 5 minutes |
| Total time | | 50–65 minutes |

Prepare

Materials: *Arrive prepared.*

- **Who, what, when, where, why, and how of investing handout**—one for each student
- Flip chart paper pre-labeled with the six questions from the **Who, what, when, where, why, and how of investing handout**
- Markers or pens
- Masking tape
- **Saving and investing options: the basics handout**—one for each student
- **Picking portfolios handouts**—one for each student
 - *Note:* Students will be working in groups with each group assigned to one of the seven profiles. Make enough copies that the members of each group have a copy of their group's profile and instructions.
- **Planning for the Future post assessment**—one for each student (optional)

Background: *Understand the topic.*

Whereas previous generations could rely on employer-sponsored retirement plans, today's students must take a much more active role in planning for their financial futures. Beginning to save and invest money at an early age can help provide students with an opportunity to grow their portfolio. By the end of the lesson, students should understand the importance of **diversifying** their **portfolio** and the difference between **saving** and **investing**. In general, saving is safer than investing since savings vehicles such as **savings accounts** and **certificates of deposit** are government-insured. These accounts cannot decrease in value and are backed by the government in case the financial institution becomes insolvent.

Investments, on the other hand, involve risk because they have the chance of decreasing in value.

Examples of investments which are covered in the lesson are:

- **Bonds:** loans to governments or corporations offering a fixed rate of return
- **Stocks:** partial ownership in a company
- **Mutual funds:** managed investment accounts in which an investor's money is pooled with that of other investors to purchase a collection of stocks and/or bonds

Vocabulary: *Use grade-appropriate definitions.*

- **Bond:** A loan given to a corporation or government in exchange for an agreed-upon payment of interest.
- **Diversification:** A strategy for reducing certain risks by selecting a wide variety of saving and investment vehicles.
- **Interest:** Money paid at a specified rate for money that is borrowed, deposited in a bank, or owed to a lender.
- **Investing:** Purchasing stocks, bonds, mutual funds, or other investment vehicles in the hopes that the value will increase and be able to be sold for a gain.

- **Mutual fund:** A collection of stocks and/or bonds managed by a professional financial planner.
- **Portfolio:** A person's savings and investment accounts.
- **Risk:** The potential for loss.
- **Savings:** Money that is put aside for use at a later time; "goal money."
- **Savings account:** An account at a bank, credit union, or other financial institution into which people deposit money they wish to save.
- **Stock:** An ownership share in a company that you can sell later.
- **Stock market:** A market in which shares of stock are bought and sold.

Delivery: *Decide on the format.*

This lesson can be conducted with an entire class or in small groups. For each activity, there are several facilitation options provided. Be sure to review the options in advance and determine which one will work best given the setting, number of facilitators, etc. In some cases, the facilitation option you select will influence the number of handouts needed.

Differentiation: *Be aware of your audience.*

When conducting a lesson on saving and investing, it is important to consider the students and their experiences. Be prepared to acknowledge the range of experiences and backgrounds. Touch base with your classroom teacher in advance to inquire about the student population you will encounter. Below are several examples of situations you may encounter.

- Some students may have parents who regularly invest money on their own and/or have savings or investment accounts for their children. Students may or may not be knowledgeable of account details.
- Some families may have a hard time finding money to save due to limited income or the inability to meet basic needs from current income. In addition, if families are receiving government benefits or support, there may be a disincentive for them to save money. In other words, if they save too much money, they can lose benefits which may put them in a worse financial position.
- Some students may come from families who have had negative experiences with financial institutions or lack trust in banks and other financial companies. Help students to understand the value of saving money with a government-insured institution and the importance of being able to earn interest on deposits.

Tips for PwC facilitators: *Make the most of your time in the classroom.*

Before facilitating this lesson for the first time, consider the following:

- Read through the entire lesson in advance.
- Touch base with the classroom teacher to make sure you know when to arrive, the process for entering the building, the room setup, photo release protocol, and any available technology. For example:
 - Where should you park? Where should you enter the building? Will find your own way to the classroom or will someone meet you?
 - What is the room set up (individual desks, tables and chairs, etc.)? Will you have access to a whiteboard?

- Are you allowed to take photos during the lesson? Remember, you are required to get specific written consent from parents/guardians before taking photos of minors. How will you handle the students whose parents/ guardians have not given consent?
- If you opt to use the post-assessments, should students take it using paper and pencil or online with school-provided devices? Will the teacher want to collect the assessments and forward the results, or should you collect them?
- If you will be presenting with another facilitator or team, consider each person's strengths when deciding who will lead various sections of the lessons, how students will be organized during the lessons, and who is responsible for preparing the materials.
- Remember that adults in most high schools are addressed formally using their title (Mr./Mrs./Ms.). Plan to address the teacher and any of your colleagues in this manner, even if you would normally call each other by first names.

Educator insights: *Adapt this lesson for your classroom.*

PwC is pleased to offer these lessons for use by classroom teachers to support or augment their financial education efforts. Please recognize that the materials were designed for employees to use as facilitators when visiting a class. Therefore, some sections (such as the introduction) may be unnecessary. Feel free to adapt the materials in whatever way makes the most sense for your classroom including the optional extension activities at the end of the lesson.

Teach

Opening (5 minutes)

- Thank the teacher and **introduce yourself** to the class. Explain to the students that PwC is a professional services firm that is committed to providing all students with financial literacy education through its program, *Access Your Potential*®. In simple terms, explain what you do at PwC and how it relates to what the students will be learning during the lesson.
- Introduce the topic of the lesson, **investing** for the future.
- Tell students that before you dive into the topic, you are going to ask them to share some of their thoughts about investing.

Activity: Who, what, when, where, why, and how of investing (10–15 minutes)

Set up (will include recommendations for modifying the activity for a small group setting)

- Ask students if they have ever heard the phrase, “**Who? what? when? where? why? and how?**”
- Let students know that this was a framework often used to make sure journalists told the details of a story. For today, you will use the framework to **brainstorm and share thoughts about investing**.

Implementation

This activity requires space for students to move around and additional supplies (flip chart paper, markers, and tape.). For a less interactive version of this activity, see the facilitation option section.

- Tell students that you have a **series of questions for them to consider** that relate to investing.
- Distribute a copy of the **Who, what, when, where, why, and how of investing handout** to each student. Let them know they can write their initial thoughts on the paper and reference back to it as a notetaker throughout the lesson.
- Post each question from the **Who, what, when, where, why, and how of investing handout** on separate pieces of flip chart paper and hang each around the room. (This may be done ahead of time or hung as you introduce the activity.)
- Give each student a marker or pen and/or place several markers next to each piece of paper. It helps with visibility if there are several colors of markers for each page.
- Let students know that they will participate in a “**gallery walk**” in which they walk from paper to paper reading the questions, adding their thoughts, and responding to those of their classmates. Encourage students to do this in silence and hold discussion until the end.
- If needed, encourage students to **revisit papers** on which they already wrote to read additional thoughts that were added after them. They may also write down questions that come to mind or additional statements to expand on those of their classmates.

Facilitation options:

If desired, this activity can be done with less movement. Invite students to work alone or in pairs to complete the handout. You may have them answer all six questions at once or provide time for them to answer them one-at-a-time, pausing between to discuss student responses.

Conclusion

- Once students are done writing and reading, travel from one paper to the next discussing some of the comments and any compelling questions that may have been added. Use the **Who, what, when, where, why, and how of investing handout answer key** to guide your discussion and response to student answers.

Activity: Taking note of saving and investing options (5–10 minutes)

Set up

- Distribute a copy of the **Popular saving and investing options handout** to each student.

Implementation

- Direct students to turn to another student and **review the saving and investing options** together.
- Inform students that the saving and investing options on the sheet vary in both **risk and return**. Let students know that the ones at the top of the page (savings accounts and CD's) involve very low risk. With each type of account, students are guaranteed to have as much money as they started with when they made their deposits. For this reason, these are considered **options for saving**.

Facilitation options:

You may find that some students already have a fundamental understanding of the various ways people save and invest. If so, use this handout as a reference sheet and proceed to the next activity.

- Direct students to annotate their handouts by **writing “saving options”** next to these two types: savings bonds and CDs.
- Inform students that the remaining options are forms of investments because they involve more risk. Investing in bonds, mutual funds, or stocks does not guarantee that a person’s money will grow over time. In fact, people can—and often do—lose money when investing.
- Direct students to add the following to their handouts:
 - **Investment options:** Label bonds, mutual funds, and stocks as “investments.”
 - **More risk/Less risk:** Ask students which options are riskier, the ones at the top or the ones at the bottom? Direct students to label the top “less risk” and the bottom “more risk.”
 - **Higher Return Potential/Lower Return Potential:** Tell students that risk and return are often related. Options with more risk can result in higher returns. As such, they should label the top Lower Return Potential and the bottom Higher Return Potential.

Conclusion

- Tell students that one way to build a good saving and investment portfolio is to **diversify**. Explain that diversification means choosing multiple ways to save and invest. By doing so, people can minimize their risk.
- Give students several **examples of portfolios** and ask if they think each is diversified or not.
 - **Person 1:** Has savings accounts at three different financial institutions. Each one earns a different amount of interest. Is it diversified?
 - Answer: No. Even though the accounts earn different interest rates, it still isn’t diversified. All of the accounts are the same kind—savings accounts.
 - **Person 2:** Has a saving account, two mutual funds, one bond, and owns shares of stock in 11 different companies. Is it diversified?
 - Answer: Yes. There is a mix of different types of accounts.
 - **Person 3:** Owns one mutual fund and has shares of stock in 50 different companies. Is it diversified?
 - Answer: Maybe. This one is harder to classify. While there are only two types of investments (stocks and a mutual fund), this portfolio could be considered diversified if the stocks are in companies that are very different from each other. For example, the person might own one technology company stock, two utilities, a bank stock, shares of several large retailers, stock in companies that are in different countries, etc. Having stocks in different industries and countries is considered another way to diversify a person’s portfolio.

Activity: Picking portfolios (25–30 minutes)

Set up

If conducting this activity in existing small groups with a facilitator at each table, give each table its own profile. Have each group report back at the end. It is okay if one or more portfolios is not used.

- Direct students to **divide into seven groups**. Assign each group to examine one of the seven profiles in the activity:
 - Lynnae, 42, transportation engineer
 - Ricardo, 25, music executive
 - Anderson, 51, physics teacher
 - Rochelle, 22, recent college graduate
 - Tracey, 58, pediatrician
 - Omar, 37, emergency room nurse
 - Caleb, 29, plumber
- Provide the students in each group with the **Picking portfolios** handouts that match their assigned profile.

Implementation

- Inform students that they will be **acting as investment advisors** for the individual described on their handout.
- Challenge them to work together to **determine which investment strategy will work best for their client** and then **prepare a 2-minute presentation** for the class in which they will pretend that the class is the client.
- Encourage group members to take on various roles including:
 - Notetaker
 - Timekeeper
 - Presenters (limit to two individuals)
- Allow time for students to discuss the scenario, reach a conclusion, and develop their presentations.

Conclusion

- Provide each group with two minutes to present. Encourage students to ask questions and provide constructive feedback.
- Remind students that there **isn't always a clear investment strategy**, and that people will choose different approaches based on a variety of factors including their age, risk tolerance, and income.

Closing (5 minutes)

- Reinforce that it is **important for people to save and invest** for the future. Whether they want to reach a short-term goal, have an emergency fund, or make sure they are financially secure in retirement, developing a habit of saving money is important. It can also be valuable to take some risk in order to increase your chance of growing your investments over time.
- (Optional) Distribute a copy of **Planning for the Future post assessment** to each student. Direct

students to answer the questions. Inform them that they do not need to put their name on the assessment unless the teacher wishes to keep a copy for grading purposes.

- **Thank** students and the teacher for letting you come and talk to the class about investing. Encourage students to **develop a plan to begin setting money aside in savings and consider investment options when they are available.**

Extend

Teacher-led follow up ideas

- Use the *Make Your Money Grow* module in the advanced level of the [Earn Your Future® Digital Classroom](https://app.pwcfdnearnyourfuture.org/) (<https://app.pwcfdnearnyourfuture.org/>) to help students learn even more about saving and investing. This resource made possible by the PwC Charitable Foundation, Inc.®, is designed for students in grades 3–12 and can be delivered in multiple formats (classroom, small group, or individually) and has accompanying educator resource guides to assist in delivery. Students can engage with financial literacy concepts through innovative self-paced modules featuring custom videos, animations, and interactive activities.
A free teacher login is required to access the modules.
- Challenge students to investigate various saving and investment options including accounts with local or online financial institutions and apps which encourage people to frequently save or invest small amounts of money. Direct students to share what they learned and plan for how they will save and/or invest money when they earn money from a job.
- Invite students to play the game [Build Your Stax](#) from Next Gen Personal Finance which demonstrates the difference in rates of return between various saving and investment vehicles and allows students to try and “beat the market.”
- Direct students to research a company that interests them and determine whether or not they can purchase stock in the company. Encourage students to find the current price of the stock along with other information such as its 52-week high and low.

Connect

Standards correlation

This lesson is correlated to the National Standards for Financial Literacy from the Council for Economic Education available at <http://www.councilforeconed.org/resource/national-standards-for-financial-literacy/>. Standards are classified as primary or secondary. Primary standards are addressed directly and thoroughly. Secondary standards are addressed indirectly or partially.

| Primary |
|--|
| Financial Investing: <ul style="list-style-type: none">• An investment with greater risk than another investment will commonly have a lower market price, and therefore a higher rate of return, than the other investment.• Diversification by investing in different types of financial assets can lower investment risk.• People vary in their willingness to take risks. The willingness to take risks depends on factors such as personality, income, and family situation.• The rate of return earned from investments will vary according to the amount of risk. In general, a trade-off exists between the security of an investment and its expected rate of return.• Financial risk means that a financial investment has a range of possible returns, including possibilities of actual losses. Higher-risk investments have a wider range of possible returns. |
| Secondary |
| Saving: <ul style="list-style-type: none">• People choose between immediate spending and saving for future consumption. Some people tend to be impatient, choosing immediate spending over saving for the future.• Government agencies supervise and regulate financial institutions to help protect the safety, soundness, and legal compliance of the nation's banking and financial system. |
| Financial Investing: <ul style="list-style-type: none">• Shorter-term investments will likely have lower rates of return than longer-term investments. |

Planning for the Future

Who, what, when, where, why, and how of investing handout

Directions: What do you think about when you hear the term investing? Fill in the boxes below with what comes to mind. You may use this page to add more information throughout the lesson.

| | |
|--|--|
| Who can invest? | |
| What does it mean to invest? | |
| When should people begin investing money? | |
| Where do people invest their money? | |
| Why do people invest their money? | |
| How do people invest their money? | |

Planning for the Future

Who, what, when, where, why, and how of investing handout | Answer key

Directions: What do you think about when you hear the term investing? Fill in the boxes below with what comes to mind. You may use this page to add more information throughout the lesson

Answers will vary. Below are sample responses and additional information to assist facilitators in discussing student responses.

| | |
|---|--|
| Who can invest? | Anyone can invest. Children (minors under the age of 18) who wish to invest will require the assistance of an adult to open an account. Some investments require a minimum investment amount. People should research what is required and save enough money to meet the minimum before opening an account. |
| What does it mean to invest? | Investing is similar to saving because it is a way of putting aside money for future use. Unlike saving, investing generally involves risk. This means that the amount of money can increase or decrease. |
| When should people begin investing money? | People who start investing sooner usually make more money over time. The lesson will cover more on this topic. |
| Where do people invest their money? | Thanks to the internet, people can invest money no matter where they are. Many investments including those in the stock market as well as bonds and mutual funds can be purchased online. |
| Why do people invest their money? | People invest money so they will have more money in the future. Most investors hope that their investments will grow over time—meaning they will increase in value. Investments are usually done for the long-term rather than the short-term. If people need their money right away, they would probably want to save it instead of investing it. |
| How do people invest their money? | Investing usually means buying stocks, bonds, or mutual funds. Each works a little differently. The lesson will cover more on each topic. |

Planning for the Future

Popular saving and investing options handout

| Option | Description | Pros | Cons |
|--------------------------------------|--|--|--|
| Savings account | An account that earns interest at a bank or credit union | Requires a small amount of money to open Money is insured by the government (If something happens to the bank, you are guaranteed to get your money back.) | Lower interest rates |
| Certificates of deposit (CDs) | A saving certificate issued to you by a bank that states how much money you have deposited, the interest rate, and the minimum period that the money must stay deposited | Higher interest rates than savings accounts | Requires a minimum deposit (usually up to \$2,500) Typically have to pay penalties if you withdraw money before the set period is over that you chose when you invested in the CD |
| Bonds | A loan you give to corporations or governments to help pay their expenses | Government and companies guarantee to pay you back Higher interest rate than a savings account Earn fixed interest | Takes a long time to reach the full value. (You buy a \$100 savings bond for \$25 and it will take years for it to be worth \$100) |
| Mutual funds | You give money to a financial organization. That organization pools your money with others and invests in a collection of stocks and/or bonds | Money is spread over various types of investments, so you are protected from changes in the stock prices or the economy | Minimum investments are required Lack of control (money manager handles the account—decides what to buy and sell) |
| Stocks | You buy shares of ownership in a company | Earn money when stock prices rise Generally outperform other investment options Variety of choices | Lose money when stock prices fall Value always changing No guaranteed profit on the money you invest |

Planning for the Future

Picking portfolios: Lynnae

Lynnae is a 42-year old transportation engineer. She has hired you to be her financial manager. She currently makes \$65,000 a year working for her state's department of transportation. She has money taken out of her paycheck to contribute to her state's retirement program, savings account, and personal investment account. Lynnae has already accumulated \$200,000 over the first 25 years of her career in her personal investment account.

Because she'll also have consistent retirement income from her state's retirement program, her goal is to have around an additional \$300,000 in her personal investment account when she retires around age 65. She also has a child who will be attending college soon and would like a good amount of the money in her personal investment account easily accessible over the next couple of years to help pay for her child's college tuition and expenses if needed. She's looking for investments with more stable returns and has a moderate tolerance for risk.

The assignment:

- Use the information about Lynnae and the information you have about various saving and investing options to select a strategy for Lynnae.
- Prepare a 2-minute presentation on why you chose this strategy as if you were giving financial advice to Lynnae and convincing her that this is the right approach.
- Include why this strategy makes sense thinking about terms discussed earlier such as risk, diversification, and returns.

| Saving and investing options | Strategies (% of investment type in her account) | | |
|---|---|-----|-----|
| | #1 | #2 | #3 |
| Bonds & mutual funds (containing primarily bonds) | 50% | 15% | 25% |
| Stocks & mutual funds (containing primarily stocks) | 25% | 75% | 40% |
| Certificates of deposit | 15% | 5% | 10% |
| Savings account | 10% | 5% | 25% |

Planning for the Future

Picking portfolios: Ricardo

Ricardo is a 25-year old music executive. He has hired you to be his financial manager. He currently makes \$90,000 a year. He has just started having money taken out of his paycheck to contribute to his retirement account, savings account, and personal investment account. Ricardo's goal is to have \$1 million accumulated in his personal investment portfolio by the time he retires at age 65 and doesn't mind taking on a bit of risk. He's okay with an aggressive approach while he's young in hopes of a bigger return.

The assignment:

- Use the information about Ricardo and the information you have about various saving and investing options to select a strategy for Ricardo.
- Prepare a 2-minute presentation on why you chose this strategy as if you were giving financial advice to Ricardo and convincing him that this is the right approach.
- Include why this strategy makes sense thinking about terms discussed earlier such as risk, diversification, and returns.

| Saving and investing options | Strategies (% of investment type in his account) | | |
|---|---|-----|-----|
| | #1 | #2 | #3 |
| Bonds & mutual funds (containing primarily bonds) | 50% | 15% | 25% |
| Stocks & mutual funds (containing primarily stocks) | 25% | 75% | 40% |
| Certificates of deposit | 15% | 5% | 10% |
| Savings account | 10% | 5% | 25% |

Planning for the Future

Picking portfolios: Anderson

Anderson is a 51-year old physics teacher at a private school. He currently earns \$57,000 a year. Anderson has always loved traveling. Instead of putting money away for retirement, he spent any extra money he had on vacations and took trips abroad almost every summer. Now that he is in his fifties, he's decided that maybe he should get serious about retirement. He doesn't want to be working until he is 80 to support himself. Anderson has about \$12,000 in a savings account and isn't sure where to start.

The assignment:

- Use the information about Anderson and the information you have about various saving and investing options to select a strategy for Anderson.
- Prepare a 2-minute presentation on why you chose this strategy as if you were giving financial advice to Anderson and convincing him that this is the right approach.
- Include why this strategy makes sense thinking about terms discussed earlier such as risk, diversification and returns.

| Saving and investing options | Strategies (% of investment type in his account) | | |
|---|---|-----|-----|
| | #1 | #2 | #3 |
| Bonds & mutual funds (containing primarily bonds) | 50% | 15% | 25% |
| Stocks & mutual funds (containing primarily stocks) | 25% | 75% | 40% |
| Certificates of deposit | 15% | 5% | 10% |
| Savings account | 10% | 5% | 25% |

Planning for the Future

Picking portfolios: Rochelle

Rochelle is 22 and recently graduated from college. She has accepted her first job. She plans to move back in with her parents for a few years so she can save money towards a down payment on a home. She has always believed in saving her money for the future. Because of her careful financial planning and her decision to spend two years at a community college before transferring to a four-year college, she has managed to graduate without any student loan debt. She considers herself lucky, since most of her friends can't say the same thing.

Rochelle tends to be very careful with her money. She isn't sure that she should take any risk and thinks keeping her money in savings accounts and certificates of deposit would be the best way to go. A friend recommended that she meet with your team to get professional advice.

The assignment:

- Use the information about Rochelle and the information you have about various saving and investing options to select a strategy for Rochelle.
- Prepare a 2-minute presentation on why you chose this strategy as if you were giving financial advice to Rochelle and convincing her that this is the right approach.
- Include why this strategy makes sense thinking about terms discussed earlier such as risk, diversification, and returns.

| Saving and investing options | Strategies (% of investment type in her account) | | |
|---|---|-----|-----|
| | #1 | #2 | #3 |
| Bonds & mutual funds (containing primarily bonds) | 50% | 15% | 25% |
| Stocks & mutual funds (containing primarily stocks) | 25% | 75% | 40% |
| Certificates of deposit | 15% | 5% | 10% |
| Savings account | 10% | 5% | 25% |

Planning for the Future

Picking portfolios: Tracey

Tracey is a 58-year old pediatrician. She has hired you to be her financial manager. She currently makes \$140,000 a year. She has money taken out of her paycheck to contribute to her savings account and personal investment account. Tracey has already accumulated \$500,000 over the first 30 years of her career in her personal investment account. Her goal is to have around \$900,000 in her personal investment account when she retires at age 65 because it will be her primary source of income after retirement. As she's nearing retirement, she's looking for more stable investment options with lower risk.

The assignment:

- Use the information about Tracey and the information you have about various saving and investing options to select a strategy for Tracey.
- Prepare a 2-minute presentation on why you chose this strategy as if you were giving financial advice to Tracey and convincing her that this is the right approach.
- Include why this strategy makes sense thinking about terms discussed earlier such as risk, diversification, and returns.

| Saving and investing options | Strategies (% of investment type in her account) | | |
|---|---|-----|-----|
| | #1 | #2 | #3 |
| Bonds & mutual funds (containing primarily bonds) | 50% | 15% | 25% |
| Stocks & mutual funds (containing primarily stocks) | 25% | 75% | 40% |
| Certificates of deposit | 15% | 5% | 10% |
| Savings account | 10% | 5% | 25% |

Planning for the Future

Picking portfolios: Omar

Omar is a 37-year old emergency room nurse where he earns \$74,430 a year. He has been contributing to the retirement plan offered by his employer since he started working. His retirement account now has a little over \$125,000 in it. Omar and his wife are also expecting their first child. He wants to make sure his family's financial future is secure. His parents encouraged him to save more money on his own—in addition to his retirement account at work. Last year he started following the stock market and paying attention to the price of several stocks that interest him. He gets nervous every time stock prices go down, and he isn't sure how much risk he wants to take. He has come to you for advice.

The assignment:

- Use the information about Omar and the information you have about various saving and investing options to select a strategy for Omar.
- Prepare a 2-minute presentation on why you chose this strategy as if you were giving financial advice to Omar and convincing him that this is the right approach.
- Include why this strategy makes sense thinking about terms discussed earlier such as risk, diversification, and returns.

| Saving and investing options | Strategies (% of investment type in his account) | | |
|---|---|-----|-----|
| | #1 | #2 | #3 |
| Bonds & mutual funds (containing primarily bonds) | 50% | 15% | 25% |
| Stocks & mutual funds (containing primarily stocks) | 25% | 75% | 40% |
| Certificates of deposit | 15% | 5% | 10% |
| Savings account | 10% | 5% | 25% |

Planning for the Future

Picking portfolios: Caleb

Caleb is a 29-year old plumber. After working with a company for several years, he has decided to work on his own and is busy marketing his services to potential customers. His income right now is unpredictable, and he wants to make sure that he has money set aside for emergencies in case he encounters a period of time when he doesn't have much work. Caleb has always been good with his money. He has never accumulated any debt, always puts the first 10% of what he earns into savings and has over \$85,000 in the bank. Eventually, he'd like to buy a larger vehicle so he can more easily transport equipment and supplies for his work projects. He has come to you seeking advice and a plan for his money.

The assignment:

- Use the information about Caleb and the information you have about various saving and investing options to select a strategy for Caleb.
- Prepare a 2-minute presentation on why you chose this strategy as if you were giving financial advice to Caleb and convincing him that this is the right approach.
- Include why this strategy makes sense thinking about terms discussed earlier such as risk, diversification, and returns.

| Saving and investing options | Strategies (% of investment type in his account) | | |
|---|---|-----|-----|
| | #1 | #2 | #3 |
| Bonds & mutual funds (containing primarily bonds) | 50% | 15% | 25% |
| Stocks & mutual funds (containing primarily stocks) | 25% | 75% | 40% |
| Certificates of deposit | 15% | 5% | 10% |
| Savings account | 10% | 5% | 25% |

Planning for the Future

Post-assessment

Section 1: Please select the correct answer for each of the following questions.

1. Which of the following is a primary difference between saving and investing?
 - a. The ability to diversify
 - b. Whether or not risk is involved
 - c. If your employer makes contributions
 - d. How much money you are contributing
2. If you buy these, you are giving a loan to a government or company
 - a. Stock
 - b. Bond
 - c. Mutual fund
 - d. Certificate of deposit
3. Which of the following represents the most diversified portfolio?
 - a. 10% in savings account, 15% in certificates of deposit, 75% in stocks
 - b. 50% in mutual funds, 50% in savings accounts
 - c. 30% in mutual funds, 30% in bonds, 30% in stocks, 10% in certificates of deposit
 - d. 10% in bank savings accounts, 50% in credit union savings accounts, 20% in bank certificates of deposit, 20% in credit union certificates of deposit
4. Which of the following statements about mutual funds is **false**?
 - a. Mutual fund decisions are handled by investment professionals
 - b. Mutual funds offer built-in diversification
 - c. Mutual funds are less risky than certificates of deposit
 - d. Mutual funds offer a chance for higher rates of return than a savings account

Section 2: Please choose the number on the scale that best indicates how strongly you agree or disagree with the following statements:

| | Strongly disagree | | | | Strongly agree |
|---|-------------------|---|---|---|----------------|
| I understand the difference between stocks, bonds, and mutual funds. | 1 | 2 | 3 | 4 | 5 |
| I feel confident making decisions about investments. | 1 | 2 | 3 | 4 | 5 |
| I am interested in learning more about managing my personal finances. | 1 | 2 | 3 | 4 | 5 |

Section 3: Circle your grade level.

K 1 2 3 4 5 6 7 8 9 10 11 12

Planning for the Future

Post-assessment | Answer key

Section 1: Please select the correct answer for each of the following questions.

1. Which of the following is a primary difference between saving and investing?
 - a. The ability to diversify
 - b. **Whether or not risk is involved**
 - c. If your employer makes contributions
 - d. How much money you are contributing
2. If you buy these, you are giving a loan to a government or company
 - a. Stock
 - b. **Bond**
 - c. Mutual fund
 - d. Certificate of deposit
3. Which of the following represents the most diversified portfolio?
 - a. 10% in savings account, 15% in certificates of deposit, 75% in stocks
 - b. 50% in mutual funds, 50% in savings accounts
 - c. **30% in mutual funds, 30% in bonds, 30% in stocks, 10% in certificates of deposit**
 - d. 10% in bank savings accounts, 50% in credit union savings accounts, 20% in bank certificates of deposit, 20% in credit union certificates of deposit
4. Which of the following statements about mutual funds is **false**?
 - a. Mutual fund decisions are handled by investment professionals
 - b. Mutual funds offer built-in diversification
 - c. **Mutual funds are less risky than certificates of deposit**
 - d. Mutual funds offer a chance for higher rates of return than a savings account

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