Money Smart **for Grades 3–5**

Teacher
Presentation Slides

for use with Educator Guide

FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

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LEVEL 2, LESSON 6

FDIC
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INVESTING YOUR MONEY

The goal of investing is to make money in the future.
Here are three different investment options:

CD (Certificate of Deposit)

- **A CD is a certificate sold by a bank. When you buy a CD, you lend money to the bank for a set amount of time. It can be several months to five years. At the end, the bank pays you back the money with interest.**

Bond

- **A bond is a certificate sold by a company or government. When you buy a bond, you lend money to a company or government for a set amount of time. It can be as long as 30 years. The borrower promises to pay your money back with interest. If they are not able to pay the money back, you could lose your money.**

Stock

- **A stock is a share of a company. When you buy stock in a company, you own a tiny piece of a company. If the company makes a profit, it may share some of those profits with you. Those profits may be called a "dividend." You can also make money by selling your shares to another buyer for more than you paid. If a company does not make a profit, however, you could lose your money.**

INVESTING: RISK AND RETURN

Some investments are more risky than others. What is the risk? You could lose your money. But you may also make money. If an investment is low risk, you have a low chance of losing your money. If an investment is high risk, you have a high chance of losing your money. The money you make from an investment is called the return.

CD (Certificate of Deposit)

- CDs are low risk and low return. You won't risk losing any money, but you won't make a lot of money either. For example, you decide to buy a one-year CD for $1,000. At the end of the year, you might get back $1,050.

Bond

- U.S. government bonds are low risk and low return. For example, if you buy a U.S. government bond for $1,000, in 10 years, you might get back $1,500.

- Company bonds can be high risk and high return. You risk losing your money, but you can also make a lot of money. If you buy a company bond for $1,000, you might get back more than $1,500 in 10 years. Or you might lose your money.

Stock

- Stocks can be high risk and high return. You might lose it all, but you might also make a lot of money. For example, you might buy stocks in a company for $1,000. If the company does not make a profit, you might lose all of your money. If the company makes a big profit, you might be able to sell your stocks and double your money.

INVESTING: RISK AND RETURN (CONTINUED)

Study the line graph below. What does it show? What might "possibility of high return" mean?

STORY PROBLEMS: INVESTING

The goal of investing is to make money.

Directions: Choose the best answer to each question below.

1) **Jay does not like to take risks. He just bought a one-year CD from the bank. He knows it is low risk. How much money will he probably make next year from the CD?**

   a) no money

   b) a little money

   c) double his money

STORY PROBLEMS: INVESTING (CONTINUED)

2) Maya has a lot of money saved and wants to invest some of it. She wants to take a risk with her money so she has a chance of making a lot of money back. She wants to use the money to start her own restaurant one day. What kind of investment should she make?

   a) stocks

   b) one-year CD

   c) U.S. bond

3) Your friend Kelvin asks what you know about company bonds. He is thinking of buying one. He is sure he will make a lot of money if he does. What would you tell him about company bonds?

   a) They are as safe as U.S. government bonds.

   b) They can be risky, but you might make a lot of money, too.

   c) They are known for making almost no money in return.

WHAT IS INFLATION?

Inflation is the overall rise in prices. For example, a gallon of milk today costs more money than it did 10 years ago.

A gallon of milk will cost more in the future than it does today. Read the graph below to learn more. Then answer the questions.

Average Price of a Gallon of Milk	
2000 - $2.79	2008 - $3.87
2002 - $2.81	2010 - $3.24
2004 - $2.88	2012 - $3.58
2006 - $3.20	2014 - $3.55

Source: http://data.bls.gov/cgi-bin/surveymost?ap

Note: Data taken from January each year

1) What was the average price of a gallon of milk in 2000?
2) Which year shows the biggest increase in the average price of milk?
3) In which years did the average price of milk get lower?
4) How much more was the average cost of a gallon of milk in 2014 than in 2004?

Teacher Presentation Slides Answer Key

LESSON 6:

INVESTING: RISK AND RETURN (CONTINUED)

Answers will vary, but may include: It shows that low risk has low returns. The possibility of high return means that a high return is possible, but not a guarantee.

STORY PROBLEMS: INVESTING

1) B, 2) A, 3) B

WHAT IS INFLATION?

**1) $2.79, 2) 2008 [$3.87 – $3.20 = $0.67 increase], 3) 2010, 2014,
4) $0.67 [$3.55 – $2.88 = $0.67]**