

## Lesson 13

# Chapter 1: Investing concepts

**Recommended current course:**

Building the entrepreneurial mindset

**Recommended course code:** BEM10**Previous course:** Introduction to business, Grade 9 or 10, Open. BBI10/20**Focus:** Personal finance**Time:** One 75-minute period**Topic:** Investment risk and return

## Curriculum Connections

**OVERALL EXPECTATIONS:**

- Develop skills in managing personal income effectively, such as skills in budgeting, planning, saving and investing;

## Curriculum expectations

**A1.2**

Use a project management process to manage the main aspects of a business project, including goals, key performance indicators, resources, delegation of tasks and responsibilities, progress of tasks, deadlines and risks, while demonstrating a leadership style appropriate to each situation.

**A1.3**

Evaluate tasks and projects on a regular basis in terms of goals, key performance indicators and outcomes, taking into account feedback gathered from a variety of sources.

**A2.1**

Identify a variety of existing and emerging digital technologies, tools and applications designed to support the completion of various business-related tasks and projects.

**A2.3**

Select and use the most appropriate digital technologies, tools and applications to complete a variety of business-related tasks and projects.

**A3.1**

Describe ways in which problem solving and creative and critical thinking can be applied to address local and global real-world opportunities and challenges.

**A3.4**

Create and maintain a portfolio that illustrates business competencies and growth as an entrepreneur.

**C1.2**

Research, synthesize and organize information from a variety of sources to support the topic and purpose of various business texts and to provide accurate and credible communication.

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#### BBI10/20 EXPECTATIONS:

- Explain how fluctuations in interest rates affect saving, investing and spending decisions.
- Identify various types of investment alternatives (e.g., GICs, stocks, bonds, mutual funds).
- Compare the benefits of saving and investing.
- Demonstrate an understanding of the factors that will affect the value of money over time (e.g., compounding interest, rate of inflation, saving, investment decisions).

### Assessment and evaluation

#### Assessment/success criteria:

Students will apply their knowledge of the relationship between risk and return by assessing the potential risk and return of different asset classes and portfolio allocations.

#### Assessment tools: (Assessment FOR/AS learning)

- Questioning.
- Observation.
- Presentation.
- Debate.

### Prior learning

Prior to this lesson, students will have an understanding of

- the difference between saving and investing
- basic asset classes, including cash, equities, bonds, crypto and real estate
- the importance of setting goals and time horizons

### Instructional strategies

- Direct instruction.
- Teacher modelling.
- Small group work.
- Class discussion.
- Presentation.
- Scaffolding.
- Questioning.
- Debate.

### Materials and resources

- Computer, speakers, classroom digital video projector, internet access.
- Video: Risk and return expectation.
- Whiteboard and markers, chalk and chalkboard or equivalent.
- PowerPoint presentation: Risk and Return Expectations
- Student handout.
- Student devices, classroom computers or shared computers, tablets, laptops, etc.
- Mini whiteboards or chart paper and markers.



**MINDS ON (15 minutes)**

1. Have groups of two or three choose one product they use or consume every day.
2. Have students research to find out if the companies producing it are publicly traded on a stock exchange (TSX, CAC Paris, Dow Jones, Singapore).
3. Have each group speculate what level of risk that each stock carries, based on criteria such as demand for product, industry, strength of business, performance history, profits, etc.
  - Criteria will be displayed on the projector (as part of the PowerPoint presentation) as a visual aid.
  - Students can use mini whiteboards or chart paper to summarize their findings.
4. Groups share their conclusions with the class, with opportunity for discussion about whether they agree or disagree with the determination given by their classmates

Note: All instructions, along with visual aids, will be explained by the teacher and also presented visually on PowerPoint slides.

**ACTION (20 minutes)**

1. Review briefly what students understand by the terms "risk" and "return."
2. With the aid of the PowerPoint, review the concept of investment risk as uncertainty, or the possibility of losing money, and return as the profit or gain earned from an investment.
3. Watch Money Gains: Risk and return expectation and complete the following questions (students are provided with a worksheet):
  - What is the relationship between risk and return?
  - Why is it important to match your risk with your investment time horizon?
  - Rank asset classes in order from least to most risky: cash, government bonds, higher-yield fixed income, small company shares, venture capital.
  - What is diversification, and why is it important?
  - Give an example of how not diversifying can cause you to lose more of your investment.
  - Fill in the blank: Don't put \_\_\_\_ your \_\_\_\_ in one \_\_\_\_\_.
  - What does it mean to have a portfolio that is 60% fixed income and 40% equities?
  - If you have a low risk tolerance, what might be a suitable portfolio allocation for you (in terms of fixed income and equity)?
4. Take up the answers and discuss as a class.

## CONSOLIDATION AND CONNECTION (30 minutes)

### GROUP ACTIVITY: PORTFOLIO RISK ANALYSIS

1. Divide the class into small groups.
2. Provide each group with a handout with a chart containing three different investment scenarios, with an example. Scenario 1 is the same for each group, and Scenarios 2 and 3 are unique.
3. Instruct the groups to analyze and discuss the risk and potential return for each scenario. Encourage students to consider factors such as risk tolerance, investment time frame, market conditions and investment types.
4. Model the analysis of Scenario 1, and discuss it as a class.

Portfolio allocation	Risk classification	Rationale	Best suited for
<b>Scenario 1:</b> Asset allocation: <ul style="list-style-type: none"> <li>• 70% Canadian government bonds</li> <li>• 20% Blue-chip Canadian stocks</li> <li>• 10% Short-term treasury bills or money market funds</li> </ul>	Conservative portfolio: Low risk	Bonds provide stability and regular interest income, <ul style="list-style-type: none"> <li>• Blue-chip Canadian stocks are established companies with a history of stability, and dividends provide some growth potential with lower volatility.</li> <li>• Short-term treasury bills or money market funds are low risk, because they are backed by the government's ability to tax and print money. The risk of default on Canadian treasury bills is extremely low.</li> </ul>	An investor with a low risk tolerance and/or a short investment timeline.

Additional scenarios (assign two per group; seven groups have 14 scenarios in total). Note: Scenarios are organized from low risk to high risk; keep this in mind when assigning scenarios to students. Delete the risk classification for each scenario before sharing with students.

#### 1. Low risk

- 50% Canadian government bonds
- 50% Canadian investment grade corporate bonds.

#### 2. Low to medium risk

- 40% Global bonds (mix of government and corporate)
- 30% Canadian dividend-paying blue-chip stocks
- 10% Real estate investment trusts (REITs)
- 20% Global Equities (diversified)

#### 3. Low to medium risk

- 20% Canadian fixed income (government and corporate bonds)
- 20% Global diversified equities
- 30% U.S. large-cap stocks (S&P 500 index)
- 20% International developed market stocks (MSCI EAFE Index)
- 10% Emerging markets equities (MSCI Emerging markets index)

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#### 4. Medium risk

- 50% U.S. ETFs tracking S&P 500 Index
- 30% Canadian equities (diversified)
- 10% Global equities (diversified)
- 10% Real estate investment trusts (REITs)

#### 5. Medium risk

- 80% Canadian dividend-paying stocks
- 20% Canadian real estate investment trusts (REITs)

#### 6. Medium to high risk

- 40% Canadian equities
- 40% Global equities (diverse regions)
- 10% Emerging markets equities
- 10% Bitcoin

5. Explain that students should prepare to present their risk analysis of Scenarios 2 and 3 in class the following day, with the aid of a PowerPoint.

#### 7. Medium to high risk

- 50% U.S. technology stocks
- 25% Global technology stocks
- 15% Canadian growth stocks
- 10% Global small-cap equities

#### 8. High risk

- 60% Global disruptive innovation stocks (e.g., electric vehicles, fintech, renewable energy)
- 40% Cryptocurrencies (e.g. bitcoin, ethereum)

#### 9. High risk

- 100% Leveraged global equities (note: leveraged ETFs or margin trading; caution required)

## Homework

- Students should prepare to present their risk analysis in class the following day, in the form of a PowerPoint.
- Option to adjust pace and give students time to work the following class.

## Accommodations

- Students can be supported throughout these discussions through teacher prompts.
- Differentiated instruction:
  - Content will be provided auditorily and visually.
  - Differentiation through letting students choose which products to investigate during the Minds on, and which companies to analyze, and how to present their findings.
- Provide organizers/notes: Students will be provided with a handout with the questions related to the video, and the investment scenarios, including visual aids and an anchor chart for how to perform a risk assessment,
- Chunking/scaffolding: The teacher will model how to perform risk analysis.
- Students with anxiety about presenting may be accommodated by either presenting from their seat or presenting privately to the teacher.
- Peer learning partners: Strategic heterogeneous grouping (grouping students of various abilities) will help to better encourage conversation and collaborative learning skills as they help and advocate for each other in understanding and communicating their ideas.
- Extra time/adjust pace:
  - Students can complete the task for homework if needed.
  - The teacher can be available for extra help.

## References

*Business Studies*. (n.d.). Ministry of Education. Retrieved December 15, 2023, from <https://www.edu.gov.on.ca/eng/curriculum/secondary/business910currb.pdf>

*Program Planning*. (n.d.). Curriculum and Resources. Retrieved December 15, 2023, from <https://www.dcp.edu.gov.on.ca/en/program-planning/transferable-skills>

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