

# What Is an Investment?

**SUBMITTED BY:** Michael Moore, University of Pennsylvania

**SUBJECT(S):** Personal Finance

**GRADE LEVEL(S):** 9, 10, 11, 12

## ≡ OVERVIEW:

In this lesson, teachers will introduce students to the concept of investing. Students will rely on personal experience to create a list of potential “investments.” Based on this list, teachers will lead a short discussion on different investment instruments. Both teachers and students will provide personal definitions of investing. Finally, we will compare different types of investments by introducing students to the concept of risk.

## ≡ NBEA STANDARD(S):

- Personal Finance, IV. Saving and Investing
- Personal Finance, VIII. Protecting Against Risk

## ≡ RELATED ARTICLES:

- [“The Investor Lifecycle: Changing Priorities, Changing Portfolios”](#)
- [“That Crazy Cryptocurrency”](#)
- [“Strengths, Weaknesses, Opportunities, Threats: The SWOT Analysis”](#)
- [“Portfolio Managers: The Challenge Is Picking More than One Winning Stock”](#)
- [“Portfolio Management: Making Decisions about Your Investments”](#)
- [“Penn CIO Peter Ammon on Why ‘People Matter Immensely’ to Successful Investing”](#)
- [“Paying for College: Why the Money Issue Is a ‘Big, Big Deal’”](#)
- [“Keeping Fear, Frustration and Joy Out of Your Stock Portfolio”](#)

- “Is Going to College Worth the Investment?”
- “Investing with Purpose”
- “International Student Athletes Learn How to Compete at U.S. Colleges”
- “How to Own a Piece of Your Favorite Brand”
- “Financial Ratios: Evaluating a Company’s Health and Worth”
- “Behind the Blue Chips of the Dow Jones Industrial Average”
- “10 Terms New Investors Should Know”

**Common Core Standard(s):** A-CED, S-MD

**Objectives/Purposes:** The purpose of this lesson is to provide students with a foundation in the fundamental concepts of investing. After this lesson, students should be able to provide a definition of both “investing” and “investments”. Furthermore, students should be able to list different types of investment opportunities, and compare those opportunities in terms of individual risks and rewards.

### **Tying It All Together:**

The lesson is divided into five parts: (1) Introduction, (2) Definitions, (3) Guided Reading, (4) Risk and Reward, and finally (5) Closing

#### *1. Introduction (5 mins)*

This lesson begins with the assumption that students have little to no background in finance or investing. If your students *are already* familiar with such topics, feel free to skip some of this introductory material.

Open the lesson by asking students to list all of the things that they think about when they hear the word “investment.” Students will usually focus primarily on the stock market (e.g. “stocks,” “money,” “business people”). Encourage students to think as broadly as possible. Other than the stock market, what images or ideas go along with the word investment? If students are stuck, ask them what it means to “invest in your future.” This will usually spur thoughts of college or job market readiness. If possible, write all of the students’ answers on a chalkboard or dry-erase board.

#### *2. Definitions (5-10 mins)*

After this brief brainstorming session, give the students one to two minutes to create their own definitions of investing (i.e. “*What is investing?*”). Students should be encouraged to come up with a definition that relates to all of the different things included in the previous discussion.

Have students share their definitions with the class. A very general definition of an investment is: *giving up something in the present in order to gain something more in the future*. This definition has two key parts: 1) present sacrifice, and 2) future gain. As students share their individual definitions, try to reinforce these two ideas as much as possible. For example, if a student says, “An investment is a way to make money,” encourage the student to tease out this definition (an investment is giving up money/time in the present in order to make money in the future). For each student who shares his or her definition, try and repeat/reinforce the idea of present loss and future gain. Use this conversation to introduce the term **return** as a synonym for future gain.

### 3. Guided Reading (5-10 mins)

Once students grasp the general definition of investing, have the class read through the article “[Is Going to College Worth the Investment?](#)” As students read, teachers can frame the article with a few guiding questions. The title of the article, for example, is a broad, but valuable question for students to consider. More concrete questions might include, “When someone chooses to go to college, what are they giving up?” and “When someone chooses to go to college, what do they hope to gain?”

Once students finish reading, have the class discuss their answers to the guiding questions. As before, encourage students to think about giving something up in the present in order to gain something in the future. For the college discussion, one might be giving up time, money (i.e. tuition), and other experiences (e.g. working instead of going to school). Similarly, students make these choices with the hope of several future rewards (e.g. higher salary, job security, personal growth, etc.).

### 4. Risk and Reward (10-15 mins)

After discussing the article, have students break into small groups. Provide each group with a copy of the attached worksheet, “[Risk and Reward.](#)” Give each group 5-10 minutes to work through the examples on the sheet.

Use the work sheet examples to introduce students to the concept of **risk**. Which alternative did the students choose in the three example problems? Why did they make their choice? Define risk as the amount of uncertainty someone has about the future outcome. If an investment is a

present sacrifice for a future gain, a *risky* investment is a present sacrifice for a very *uncertain* future gain.

### 5. Closing (5 mins)

Encourage students to think of examples of risky investments; professional athletes provide a good example. As young adults, they must invest a huge amount of time (and money) for a very uncertain (and unlikely) future reward. The lottery is another good example (although with less present sacrifice). Which is more risky? This is a discussion that will continue in the next lesson.

### Practice Outside of the Classroom:

Outside of the classroom, ask students to pay attention to TV commercials. Ask each student to pick one particular commercial. What is the message of the commercial? Is the commercial asking you to make an investment? What is it asking you to give up? What are they offering you in return?

Be sure to search WGYP for related articles! Here's one that would be a great supplement to this lesson: [Dual Enrollment, Scholarships and Creative Ways to Pay for Your College Tuition](#).

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