Wee-Savers Financial Literacy Curriculum

501: INTRO TO STOCKS AND BONDS

Introduction (2 minutes)

I. This presentation will introduce you to the basics of stocks and bonds.

II. I will define stocks, bonds and the risk & reward involved with each.

III. We will discuss the different aspects of investing in the stock market.

IV. Lastly, we will do a group activity called "Stock vs. Stock." During this game we will analyze the quote for 4 stocks and determine which are the best ones to invest in.

a. Stocks (10 minutes)

I. A stock is a piece of ownership in a publically traded company. Owning stock in a public company can provide many financial benefits. However, investing in the stock market can involve a certain level of risk, as the prices can change pretty much at anytime, for a number of reasons. The price of oil, inflation, the world economy, and even terrorism can affect the entire United States stock market.

II. Now let's jump right in and define some keywords so you can grasp the concept.

- Publicly traded company: a company that you can invest in on the stock market.

- Stock market: the place where you can buy and sell stocks via a broker. The 3 most popular are: The New York Stock Exchange (NYSE), the National Association of Securities Dealers Automated Quotations (NASDAQ), and the Over The Counter (OTC) market.

- Broker: "middle man" in the transaction, who charges a fee to trade your securities.

- Securities: are valuable assets in your portfolio – *usually: stocks, bonds, and funds.*

- Portfolio: a collection of all of your assets/life savings – *usually: securities, real estate and cash.*

- Long-term: holding on to a security for 10+ years in order to maximize growth.

- Dividends: money paid to you every 3 months for owning stock in a company.

- Capital gains: buying something for a low price and can selling it later for more.

III. *Give this example:* When you invest in the stock market, the secret is to buy low and sell high. The average pair of expensive gym shoes can easily cost $200. If any of us invested $200 into NIKE, Inc. stock (NYSE: NKE) in the year 2000, we could have sold the stock in 2015 and made over $2k in capital gains and dividends…and got 4 FREE pair of expensive gym shoes out of the situation!

Stock Investment Example:

Symbol	Last Price	Last Price Change	$ Today's Gain/Loss	% Today's Gain/Loss	$ Total Gain/Loss	% Total Gain/Loss	Current Value	% of Account	Quantity	Cost Basis Per Share	Cost Basis	52-Week Range
NKE NIKE INC CLASS B COM NPV	$137.28	-$3.22	-$32.87	-2.30%	+$597.01	+74.23%	$1,401.21	7.93%	10.207	$78.79	$804.20	$80.00 $141.14

How to read
Last Price: The price at the close of business
Last Price Change: -$3.22 means that it went down $3.22 before the close of business
Today's Gain/Loss $: There was a loss of $32.87 for the day.
Today's Gain/Loss %: There was a loss of 2.30% for the day.
Total Gain $: There has been a total gain of $597.01 since the stock was purchased on 9/5/18
Total Gain %: There has been a gain of 74.23% since the stock was purchased on 9/5/18
Current value: $1,401.21
% of total brokerage account: 7.93%
Quantity: 10.207 shares
Cost Basis Per Share: $78.79
Cost Basis: $804.20

The original purchase price for this stock was $80.42 per share.

You can have gains on your purchase of shares, you aren't going to have an increase every day, but the goal is to invest in things that are going to grow over time. This is a long-term stock.
Do your research on companies that you want to invest in. Know that you are taking a risk, there are no guarantees. There is a chance that you can lose what you invest, there is a chance that you can make money from what you invest, it depends.
It is good to not invest all your money in one thing. You want to make sure that you have a diverse stock portfolio. A good idea would be to start simple and invest in things that you use everyday and then go from there with making different investments.
Be picky with your investments, don't just pick things that are a hot buy or something that is a fad.
Always remember to do your research when picking your stocks because you are taking a risk. Only you know how much of a risk you are willing to take.
It is ideal to invest for the long term. The longer the better, most stocks tend to increase in value over time.
Don't check your stock portfolio every day. When you check it often you may get the urge to sell it if it drops a few dollars during the middle of the day.
Use your financial advisor to your benefit, you are paying them to lead you in the right direction and while they are advisors you still have the final say in what happens with our money.
Invest wisely.

b. Bonds (6 minutes)

I. You can invest in bonds similar to how you can invest in stocks. A bond is basically a loan. The major difference is that bonds provide fixed rates of interest. The prices don't go up and down like stocks.

II. Now, let's define some more keywords to bring this concept full circle:

- Loan: cash borrowed from a company or government that gets paid back with interest.

- Mature: the time it takes for you to get paid back from a loan – *usually: 3 months to 30 years.*

- Fixed interest: the amount of return you get on a loan – *usually: 1 – 6%.*

- Invest: the activity of putting your cash behind a company or project, expecting a return.

- Risk: the reality that you can lose some or all of the cash you invest – *usually: 10% - 100%.*

- Reward: the amount of money you expect to gain from your investment – *usually: 20% - 1,000%.*

- R.O.I.: Return On Investment is the amount of money you actually gained or lost.

III. Keep in mind there is a difference between a value stock and a growth stock. A value stock typically has a high market value, a high stock price, and pays a dividend. Growth stocks usually don't pay dividends. Instead, they re-invest into the growth of the company. This can be in the form of buying new equipment, leasing more workspace, expanding to a new market, researching a new product/service or even running a marketing campaign to bring more customers to the company.

c. Activity (12 minutes) Have participants get into teams of 2 and play **"Stock vs. Stock".** During this activity they will analyze the profiles of 3 different companies and their stocks. In this exercise they will discuss the pros and cons of each stock and then decide which ones go into their portfolio. There is a 4 minute Q&A session immediately after the 8 minute analysis period.

Wee-Savers Financial Literacy Activity

STOCK VS. STOCK

RULES:

Have participants get into teams of 2 and play **"Stock vs. Stock".** During this activity they will analyze the profiles of 3 different companies and their stocks. In this exercise they will discuss the pros and cons of each stock and then decide which ones they will add to their portfolio. The game is timed and should last for 10 minutes. 8 minutes to analyze the profiles and then a 4 minute Q&A session to follow. *Each person gets to circle BUY or SELL to vote for all profiles. You cannot vote only BUY or SELL for all 3.*

PROFILE #1: NIKE, Inc. (NKE)

NIKE designs, develops, markets, and sells athletic footwear, apparel, equipment, and accessories worldwide. It offers NIKE brand products in nine categories: running, NIKE basketball, the Jordan brand, football, men's training, women's training, action sports, sportswear, and golf. **Price:** $65/share **Dividend:** $0.80 **Annual Sales:** $34 Billion

Market Value: $105 Billion **Dividend Yield:** 1.25% **Profit Margin:** 11.50%

Investor #1 Vote: BUY or SELL **Investor #2 Vote:** BUY or SELL

PROFILE #2: DISNEY (DIS)

The Walt Disney Company, together with its subsidiaries, operates as an entertainment company worldwide. Some of its key operations are: the ESPN, Disney channels, ABC TV, Walt Disney World Resort in Florida and the Disneyland Resort in California, Walt Disney Pictures, Pixar, Marvel, Lucasfilm (Star Wars franchise), and Touchstone Films.

Price: $110/share **Dividend:** $1.70 **Annual Sales:** $55 Billion

Market Value: $170 Billion **Dividend Yield:** 1.50% **Profit Margin:** 16.30%

Investor #1 Vote: BUY or SELL **Investor #2 Vote:** BUY or SELL

PROFILE #3: YUM! BRANDS (YUM)

YUM! Brands, Inc., through its subsidiaries, develops, operates, and franchises quick service restaurants. The company operates in three segments: the KFC Division, the Pizza Hut Division, and the Taco Bell Division. Its restaurants prepare, package, and sell a menu of food items.

Price: $80/share **Dividend:** $1.20 **Annual Sales:** $6 Billion

Market Value: $28 Billion **Dividend Yield:** 1.45% **Profit Margin:** 19.10%

Investor #1 Vote: BUY or SELL **Investor #2 Vote:** BUY or SELL