> *Wealth beyond your wildest dreams is possible if you learn the golden secret: Invest ten percent of all you make for long-term growth. If you follow that one simple guideline, someday you'll be a very rich person.*
>
> excerpt from "The Wealthy Barber"
> by David Chilton

Overview

Many teenagers have part-time jobs. What do they do with the money they earn? Buy clothes, computer games, cellphones and snowboards. If they invested just ten percent of their earnings each month they could become very rich. Try the Save a Million Calculator at the Practical Money Skills Web site and see how long it will take to become a millionaire.

Getting a handle on how to invest is worth the effort. After all, having worked so hard for your money, your money should work for you. The first and most important investment is the time it takes to learn what investing is all about.

Goal

Introduce the advantages and disadvantages of common savings and investment vehicles, and show the short- and long-term effects of various savings and investment choices.

Time Frame

Three 75-minute periods

Lesson 03.02.**01**
The power of saving

Lesson 03.02.**02**
Investment tools

Lesson 03.02.**03**
Saving and investing review

End-of-unit quiz and answer sheet

Each lesson includes black-line print masters for overheads and activities.

Lesson 01
The power of saving
.01

Overview

Saving just a loonie a day will result in more than $365.00 in a year. Small amounts saved and invested can easily grow into larger sums. However, a person must START TO SAVE.

This lesson provides students with a basic knowledge of saving and investing. The process starts with setting financial goals. Next, a commitment to saving is discussed.

Various savings plans are available to consumers. These include regular savings accounts, term deposits, and guaranteed investment certificates (GICs). Students will analyze factors to consider when selecting a savings account. These include interest rates, fees, balance requirements, and deposit insurance.

Goals

Introduce the advantages and disadvantages of common savings vehicles.
Show the short- and long-term effects of various savings choices.

Objectives

List and prioritize some of your short- and long-term budget goals.
List and explain some of the advantages of saving money.
Understand the concept of "pay yourself first" and list some ways to encourage this habit.
List and explain the differences among the most common saving methods.

Timeline

Student activity	
(Activity A)	15 minutes
(Activity B)	15 minutes
Discussion	5 minutes
Pay yourself first	15 minutes
Options for Saving	
Part 1	5 minutes
Part 2	10 minutes
Note taking	10 minutes

Instructions

Student Activity

Divide students into groups of two or three.
Activity A—Financial Goal Setting
Students discuss in groups and complete Activity A, Financial goal setting.
Students share some of their goals with the class, including estimated cost, target date, and the amount they would need to save each week to meet their goals.
Activity B—Calculating Interest
Have students complete Activity B, Calculating interest.
Review the answers and, as needed, show the calculations on the board.
Re-emphasize how the interest rate and the method of calculation can affect how much their money grows.
The Web resource **www.practicalmoneyskills.ca** has electronic calculators for students to use.

Note-taking

Have students record all responses on their activity sheets (A and B).
Have students record the important points from Overheads A, B, C, D, and E.

Teacher Notes

Pay Yourself First

Using Overhead A, Pay yourself first, (a little can add up) go through some of the examples with the class to show how a little amount saved on a regular basis can add up to substantial savings.
Using Overhead B, Characteristics of savings accounts, discuss with students the pros and cons of the savings accounts that are available. Discuss with students, other longer term tools such as term deposits (Overhead C) and GICs (Overhead D) that are available for saving money.

Part 1 Financial Goal Setting

Assign students to groups of two or three.
Have students complete Activity A Financial goal setting.
If your students don't have enough income to complete this exercise, give them a theoretical income to work with.
Move about the room from group to group to listen to student responses, and give prompts and suggestions when needed.
Ask students to share some of their goals with the class, including estimated cost, target date, and the amount they would need to save each week to meet their goal.
Discuss and re-emphasize the importance of goal setting and planning.
Have students prioritize the goals they identified.
As a class, discuss student findings.

Part 2 Interest Calculations

Demonstrate to students how simple and compound interest is calculated.
Use Overheads E as examples for the class.
Have students work on Activity B, Calculating interest.
Move about the room from group to group to listen to student responses, and give prompts and suggestions when needed.
Select students to put their answers to each question on the blackboard.
Use this to review with students.

Required Materials

Activity A, Financial goal setting (and answer key)
Activity B, Calculating interest (and answer key)
Overhead A, Pay yourself first
Overhead B, Characteristics of savings accounts (two pages)
Overhead C, Term deposits
Overhead D, Guaranteed investment certificates (GICs)
Overhead E, How simple and compound interest are calculated (two pages)

Assessment and Evaluation

Activities can be used as formative or summative assessment.
Notebook check.

Additional Web Resources

Practical Money Skills
www.practicalmoneyskills.ca
Select Consumers
Select Banking Services
Select Why Get a Chequing Account
www.practicalmoneyskills.ca
Select Consumers
Select Banking Services
Select Shopping Around for a Chequing Account

overhead A

Overhead A
Pay yourself first (a little can add up)

03.02.01

Example 1

Save this each week

Save this each week	At % Interest	In 10 years you'll have
$10.00	3%	$6,048.48
$25.00	3%	$15,121.19
$50.00	3%	$30,242.38
$100.00	3%	$60,484.76

Example 2

If you invest $1,000 each year ($19.20 per week)

Interest Rate	5 yrs.	10 yrs.	15 yrs.	20 yrs.
5%	$ 5,525	$ 12,578	$ 21,578	$ 33,065
6%	$ 5,637	$ 13,181	$ 23,276	$36,786
7%	$ 5,751	$ 13,816	$ 25,129	$ 40,995
8%	$ 5,867	$ 14,487	$ 27,152	$ 45,762
9%	$ 5,985	$ 15,193	$ 29,361	$ 51,160
10%	$ 6,105	$ 15,937	$ 31,772	$ 57,257
11%	$ 6,228	$ 16,722	$ 34,405	$ 64,203
12%	$ 6,353	$ 17,548	$ 37,279	$ 75,052

overhead B

Overhead B
Characteristics of savings accounts

03.02.01

Savings account

- Depositor receives a passbook in which deposits, withdrawals, and interest are recorded.
- Average interest rate is fairly low and may vary slightly from institution to institution.
- Funds are easily accessible, in person, at an ATM, or through Internet banking.
- Passbook can be updated at an ATM.

Chequing/savings account

- Basically the same as a savings account, except depositor may receive monthly statements instead of a passbook.
- Funds are easily accessible in person, by writing a cheque, at an ATM, through Internet banking or by Interac Direct Payment.
- Interest rates vary, based on type of account and size of balance.
- Interest-earning chequing account—combines benefits of chequing and savings.
- Depositor usually earns interest on amounts above a set level in his/her account.

Overhead B
Characteristics of a savings account (continued)

Factors that determine the dollar yield on an account

Interest rate (also called rate of return, or annual yield)

- All money earned comes from this factor.

The following factors reduce money earned and can even turn it into a loss:

Fees, charges, and penalties

- Usually based on minimum balance requirements, or transaction fees.

Balance requirements

- On term deposits, most banks will pay different interest rates for different size balances. (Higher balance usually earns a higher rate.)

Balance calculation method

- Most calculate daily. Some use average of all daily balances.

Overhead C
Term deposits

03.02.01

What they are and how they work

- Financial institution pays a fixed amount of interest for a fixed amount of money for a fixed amount of time, usually less than one year.

Benefits

- No risk
- Simple
- No fees
- Offers higher interest rates than savings accounts but lower than a GIC

Trade-offs

- Money “locked in” for fixed term, compared to savings account
- Withdrawal penalty if cashed before end of fixed term (penalty may be higher than interest earned)

overhead D

Overhead D
Guaranteed investment certificates (GICs)

03.02.01

What they are and how they work

- Financial institution pays a fixed amount of interest for a fixed amount of money for a fixed amount of time, usually for longer than a year.
- Most institutions require a larger minimum deposit than for a term deposit.

Benefits

- No risk
- Simple
- No fees
- Offers higher interest rates than a savings account and term deposit.

Trade-offs

- Money "locked in" for fixed and longer term, compared to term deposit.
- Withdrawal penalty if cashed before expiration date (penalty can be higher than the interest earned).

Note: GICs mature if the holder dies before the maturity date.

Overhead E

How simple and compound interest are calculated

03.02.01

Simple interest calculation

- Dollar amount x interest rate x Length of time (in years) = Amount earned

Example

- If you had $100 in a savings account that paid 6% simple interest, during the first year you would earn $6 in interest.

$100 x 0.06 x 1 = $6

- At the end of two years you would have earned $12.
- The account would continue to grow at a rate of $6 per year, despite the accumulated interest.

Compound interest calculation

- Interest is paid on original amount of deposit, plus any interest earned.

(Original $ amount + Earned interest) x Interest rate

x Length of time = Amount earned

Example

- If you had $100 in a savings account that paid 6% interest compounded annually, the first year you would earn $6.00 in interest.

$100 x 0.06 x 1 = $6

$100 + $6 = $106

- With compound interest, the second year you would earn $6.36 in interest.

The calculation the second year would look like this:

$106 x 0.06 x 1 = $6.36

$106 + 6.36 = $112.36

Overhead E
How simple and compound interest are calculated (continued)

A compound interest formula

- Amount = Original $ Amount $(1 + \text{Interest Rate})^N$, where N is the number of compounding periods

example

- If you had $100 in a savings account that paid 6% interest compounded annually over two years, your investment would grow to $112.36.

$$\$100 \times (1 + .06)^2 = \$112.36$$

- If compounded semi-annually, N = 4

$$\$100 \times (1 + .06)^4 = \$126.25$$

activity A

Activity A
Financial goal setting

03.02.01

name: **date:**

SETTING FINANCIAL GOALS			
Why save			
Why set goals			
SET AND PRIORITIZE YOUR FINANCIAL GOALS			
Short-term goals (1–4 weeks)		Objective:	$
		Estimated Cost:	$
		Target Date:	
		Monthly Amount:	$
Medium-term goals (2–12 months)		Objective:	$
		Estimated Cost:	$
		Target Date:	
		Monthly Amount:	$
Long-range goals (1 year or longer)		Objective:	$
		Estimated Cost:	$
		Target Date:	
		Monthly Amount:	$

activity A

Activity
Financial goal setting (answers)

03.02.01

SETTING FINANCIAL GOALS			
Why save	In case of an emergency		
	To have the option of taking advantage of unforeseen opportunities		
	To reach financial goals		
Why set goals	Give direction for making plans and taking actions		
SET AND PRIORITIZE YOUR FINANCIAL GOALS			
Short-term goals (1–4 weeks) e.g., purchase an MP3 player in one month		Objective:	Cost + tax of MP3 player
		Estimated Cost:	$80.00
		Target Date:	3 months
		Monthly Amount:	$20.00
Medium-term goals (2–12 months) e.g., save to buy an item in a certain amount of time. (Xbox 360)		Objective:	Cost + tax of Xbox
		Estimated Cost:	$480.00
		Target Date:	1 year
		Monthly Amount:	$40.00
Long-range goals (1 year or longer) e.g. save for university or college		Objective:	First year tuition and books
		Estimated Cost:	$7,000.00
		Target Date:	3 years
		Monthly Amount:	$195.00

activity B

Activity B
Calculating interest

03.02.01

name: date:

Write the answers to the following questions in the blanks provided. Use the space below each problem to show how you arrived at your answers.

1. If you put $200 in a savings account that paid 5.5% simple interest each year, how much interest would you earn in five years?

2. If you put $150 in a savings account that paid 6% compounded yearly, how much interest would you earn in five years?

3. If you put $25 each month into a savings account that paid a simple interest rate of 6.5% each year, how much money would you have in your account at the end of two years?

4. If you put $10 each week into a savings account that paid 6% interest compounded yearly, how much money would you have in your account after three years?

Activity B
Calculating interest (answers)

activity B

03.02.01

Write the answers to the following questions in the blanks provided. Use the space below each problem to show how you arrived at your answers.

1. If you put $200 in a savings account that paid 5.5% simple interest each year, how much interest would you earn in five years?

   $55
   $200 x 0.055 = $11
   $11 x 5 = $55

2. If you put $150 in a savings account that paid 6% compounded yearly, how much interest would you earn in five years?

   $50.73
   $150 x 1.06 = $159 (after 1 year)
   $159 x 1.06 = $168.54 (after 2 years)
   $168.54 x 1.06 = $178.65 (after 3 years)
   $178.65 x 1.06 = $189.37 (after 4 years)
   $189.37 x 1.06 = $200.73 (after 5 years)
   $200.73 - $150.00 = $50.73 (interest)

3. If you put $25 each month into a savings account that paid a simple interest rate of 6.5% each year, how much money would you have in your account at the end of two years?

   $639.00
   $300.00 x 1.065 = $319.50 (year 1)
   $300.00 x 1.065 = $319.50 (year 2)
   $319.50 + $319.50 = $639.00 (after 2 years)

4. If you put $10 each week into a savings account that paid 6% interest compounded yearly, how much money would you have in your account after three years?

   $1,754.80
   $10 x 52 = $520
   $520 x 1.06 - $551.20 (after 1 year)
   $551.20 + $520 = $1,071.20
   $1,071.20 x 1.06 = $1,135.47 (after 2 years)
   $1,135.47 + $520 = $1,655.47
   $1,655.47 x 1.06 = $1,754.80 (after 3 years)

Lesson 02
Investment tools
.02

Overview

Investing takes saving one step further in a person's financial plan. Bonds, stocks, mutual funds, real estate, and retirement accounts are a variety of ways to invest and will be outlined in this lesson.

Goals

Make students aware of the various investing vehicles available to them.
Help students understand the skills necessary to be able to select appropriate investment tools suited to their needs and desires.

Objectives

List and explain the differences among the most common investment methods.
Understand the advantages and disadvantages of popular investment vehicles.

Timeline

Discussion	20 minutes
Note taking	10 minutes
Activity A	30 minutes
Activity B	15 minutes

Instructions

Discussion

Use Overhead A to review The rule of 72 with students.
Ensure that students are taking notes.
Discuss the various forms of investments with students using overheads B, Bonds; C, Mutual Funds; D, Stocks and E, Real estate.

Student Activity

Have student work on Activity A.
Have students select a partner.
Have students access the Web site indicated on the activity sheet to answer the questions in Activity A.
As a class, take up the results of Activity A.
Have students complete Activity B, Selecting mutual funds.
Use Overhead C as a reference when taking up Activity B.

Note taking

Have students take notes from overheads A, B, C, D, and E.

Teacher Notes

Move about the room and give prompts and suggestions when needed while students are working on the activity sheets.

Required Materials

Activity A, Equity investments
Activity B, Selecting mutual funds. (two pages)
Overhead A, The rule of 72
Overhead B, Bonds
Overhead C, Mutual funds
Overhead D, Stocks
Overhead E, Real estate

Assessment and Evaluation

Activities can be used as formative or summative assessment.
Notebook check.

Additional Web Resources

Practical Money Skills
www.practicalmoneyskills.ca
Select Consumers
Select Saving and Investing
Select Equity Investments

www.practicalmoneyskills.ca
Select Consumers
Select Saving and Investing
Select Real Estate

Overhead A
The rule of 72

03.02.02

To determine about how many years it will take to double your money

- 72 / Interest rate = Years to double investment

To determine the interest rate that will double your money in a set number of years:

- 72 / Years to double investment = Interest rate required

Overhead B
Bonds

03.02.02

What they are

- A bond is an "IOU," certifying that you loaned money to a government or corporation and outlining the terms of repayment.

How they work

- Buyer may purchase a bond at a discount. The bond has a fixed interest rate for a fixed period of time. When the time is up, the bond is said to have "matured," and the buyer may redeem the bond for the full face value.

Types

Canada savings bonds

- The safest investment you can make, backed by the Government of Canada.

Government

- Issued by federal, provincial, or municipal governments to raise money for government projects.

Corporate

- Sold by private companies to raise money.
- If company goes bankrupt, bondholders have first claim to assets, before stockholders.

Overhead C
Mutual funds

03.02.02

What are they?

- Professionally managed portfolios made up of stocks, bonds, and other investments.

How do they work?

- Individuals buy shares, and fund uses the money to purchase stocks, bonds, and other investments.
- Profits returned to shareholders monthly, quarterly, or semi-annually in the form of dividends.

Advantages

- Allows small investors to take advantage of professional account management and diversification normally only available to large investors.

Basic types of mutual funds

Balanced fund	includes a broad mix of stocks and bonds.
Growth equity fund	emphasizes companies that are expected to increase in value; also has higher risk. Portfolios can vary widely in stock selection.
Dividend fund	features stocks and bonds with common or preferred shares that generate dividends.
Money market fund	features short-term instruments (less than one year) and T-bills.
Bond fund	features government and corporate bonds.
Mortgage fund	features investments in residential and/or commercial mortgages.

Overhead D
Stocks

03.02.02

What they are

- Stock represents ownership of a corporation.
- Stockholders own a share of the company and are entitled to a share of the profits, as well as a vote in how the company is run.

How earnings are made

- Company profits may be divided among shareholders in the form of dividends. Dividends are usually paid quarterly.
- Larger profits can be made through an increase in the value of the stock on the open market.

Advantages

- If the market value goes up, the gain can be considerable.
- Money is easily accessible.

Disadvantages

- If market value goes down, the loss can be considerable.
- Selecting and managing stock often requires study and the help of a good brokerage firm.

Overhead E
Real estate

Ways to Invest

- Buy a house, live in it, and sell it later at a profit.
- Buy income property (such as an apartment house or a commercial building) and rent it.
- Buy land and hold it until it rises in value.

Advantages

- Excellent protection against inflation.

Disadvantages

- Can be difficult to convert into cash.
- A specialized type of investment requiring study and knowledge of business.

Capital Gains

- Profits from the sale of a capital asset such as stocks, bonds, or real estate, are also tax deferred; you do not have to pay the tax on these profits until the asset is sold.

activity A

Activity A
Equity investments

03.02.02

name: _____ **date:** _____

Go to the link below to obtain the information for this assignment.

www.practicalmoneyskills.ca –> consumer –> saving & investing –> equity investments

STOCKS	Definitions:	
Common:		
Preferred:		
	Advantages	Disadvantages
BONDS	Definition:	
	Advantages	Disadvantages
MUTUAL FUNDS	Definitions:	
Balanced:		
Growth Equity:		
Dividend:		
Money Market:		
Mortgage:		
Bond:		
	Advantages	Disadvantages
REAL ESTATE	Ways to invest:	
	Advantages	Disadvantages

activity B

Activity B
Selecting mutual funds

03.02.02

name: date:

For each of the investment situations below, select the type of mutual fund that would be most appropriate from this list:

Balanced fund	Growth equity fund	Mortgage fund
Dividend fund	Money market fund	Bond fund

1. An investor wants to invest in short-term debt instruments.

   _____

2. A person is interested in long-term growth for future financial security.

   _____

3. A retired person desires investment earnings from common and preferred shares that generate dividends.

   _____

4. A person wants to invest in a blend of stocks and bonds.

   _____

5. A person invests some funds in residential mortgages.

   _____

6. A person wants a mutual fund without the risks associated with stocks.

   _____

activity B

Activity B
Selecting mutual funds (answers)

03.02.02

For each of the investment situations below, select the type of mutual fund that would be most appropriate from this list:

Balanced fund	Growth equity fund	Mortgage fund
Dividend fund	Money market fund	Bond fund

1. An investor wants to invest in short-term debt instruments.

   Money market fund

2. A person is interested in long-term growth for future financial security.

   Growth fund

3. A retired person desires investment earnings from common and preferred shares that generate dividends.

   Dividend fund

4. A person wants to invest in a blend of stocks and bonds.

   Balanced fund

5. A person invests some funds in residential mortgages.

   Mortgage fund

6. A person wants a mutual fund without the risks associated with stocks.

   Bond fund

Lesson 03
Saving and investing review
.03

Overview

There are several investment tools available to help families save for the future. RRSPs are an excellent tool to assist families to save for retirement. In addition RESPs are an excellent tool to assist families to save for the education of their children. It is important for everyone to be made aware of these tools so they can take full advantage of them.

Finally, students are made aware of potential investment frauds. The variety of these swindles increases each year as con artists look for new opportunities to separate people from their money. A deal that is too good to be true should set off red flags and students should move very cautiously.

Goals

Make students aware of the potential for fraud when deciding where to invest their money. Beware of a deal that is too good to be true.
Review their knowledge of saving and investing by completing the test.

Objectives

Understand what investment fraud is, and list some of the ways you can protect yourself against investment swindlers.
Students develop an awareness of investment tools to assist with funding future plans.
Compare and contrast the short- and long-term consequences of investment decisions.

Timeline

Part 1

Discussion and Note taking	25 minutes

Part 2

Activity A	15 minutes
Take up Activity A	10 minutes
Assessment	25 minutes

Instructions

Part 1

Using Overhead A, discuss with students the purpose of RRSPs.
Use Overhead B to outline the method of saving using RESPs.
Use Overhead C as a reference when discussing and comparing the various saving and investment tools with students.
Ensure that students take notes from overheads, A, B, C, and D.
Using Overhead D, discuss with students the things to do to avoid investment fraud.

Part 2

Have students test their knowledge by filling out Activity A, Test your knowledge of saving and investing
Take up Activity A, using the answer sheet as a reference.

Teacher Notes

Preparation of required materials prior to lesson.

Required Materials

Activity A, Test your knowledge of saving and investing (two pages and two-page answer sheet)
Quiz, Saving & Investing (and answer sheet)
Overhead A, Registered retirement savings plans (RRSPs)
Overhead B, Registered education savings plans
Overhead C, Comparing savings and Investment plans
Overhead D, Avoiding investment fraud.

Assessment

Administer Quiz to students to test their knowledge of saving and investing.

Additional Web Resources

Practical Money skills
www.practicalmoneyskills.ca
Select: Consumers
Select: Saving & Investing
Select: Retirement Plans

www.practicalmoneyskills.ca
Select: Consumers
Select: Saving & Investing
Select: Retirement Calculator

Overhead A
Registered retirement savings plans (RRSPs)

03.02.03

What they are and how they work

- Plans that help individuals set aside money to be used after they retire.
- Income tax not immediately due on money put into a retirement account, or on the interest it makes.
- Income tax paid when money is withdrawn.
- Penalty charges apply if money is withdrawn before the maturity date, except under certain circumstances.
- Income after retirement is usually lower, so tax rate is lower.

RRSP VALUE BASED ON CONTRIBUTION DATE
($13,500 ANNUAL INVESTMENT AT 7% COMPOUNDED ANNUALLY)

VALUE AT END OF YEAR #	DATE OF ANNUAL INVESTMENT		
	JANUARY 2 OF TAX YEAR	EVERY MONTH ($1,125/MO.)	MARCH 1 OF NEXT YEAR
7	$ 125,007.33	$121,239.06	$103,102.11
14	325,741.80	315,974.62	290,566.79
21	648,077.48	628,645.25	591,594.11
28	1,165,678.15	1,130,725.96	1,074,978.19
35	1,996,831.71	1,936,957.86	1,851,187.40

When to contribute

The best time to contribute to your RRSP is early in the tax year as opposed to waiting until the deadline the following year. You may also contribute on a monthly basis. The chart above indicates the differences in your investment values based on when you contribute. For example, if you contribute a total of $13,500 a year to your fund, the value after seven years will be over $20,000 more if you make it in a lump sum contribution at the beginning of the year, instead of waiting until the deadline the following year, and almost $4,000 more than if you contribute monthly. After 35 years, the difference will be as much as $145,000!

overhead B

Overhead B
Registered education savings plans (RESPs)

03.02.03

What they are and how they work

- A tax-sheltered investment plan designed to help you finance your children's post-secondary education.

- Investment income earned on contributions grows tax-free until the child is ready for post-secondary education.

- The student usually pays no tax when the funds are withdrawn, for educational purposes, as he or she typically has little income.

- Parents, grandparents, aunts and uncles, or anyone else who wants to assist a child's education can participate.

- The federal government will contribute a grant representing 20% on the first $2,000 in annual contributions made to an RESP for children under age 18. (Canada Education Savings Grant—CESG).

overhead C

Overhead C
Comparing savings and investment plans

03.02.03

Instrument	Maturity	Risk	Yield	Minimum Balance	Taxable?
Savings Account	Immediate	CDIC insures up to $60,000	Low	$5	Yes
Time/term deposits	90 days or more	CDIC insures up to $60,000	Moderate	Varies	Yes
Bonds					
• **Corporate**	5–30 years	Some	Moderate	$1,000	Yes
• **Municipal**	1–20 years	Some	Moderate	$5,000	Yes
• **Stocks**	Immediate	Low to high	Low to high	Varies	Yes
CAN treasury					
• **Bills**	One Year or less	None	Moderate	$10,000	Federal only
• **Notes**	1–10 years	None		$1,000	Federal only
• **Bonds**	10–30 years	None		$1,000	Federal only
Mutual funds	Varies	Low to high	Moderate	Varies	Usually
Retirement funds	When buyer is 69 years old	Low	Moderate	Varies	At maturity

Overhead D
Avoiding investment fraud

03.02.03

Each year billions of dollars are lost to fraudulent investments.

Some of the most common include:

- Illegal pyramids, insider trading, and unlicensed investment brokers
- High-risk "penny" stocks and fraudulent securities
- Fraudulent franchises and business opportunities
- Internet services, 900-numbers, and high-tech investments promising high profits and minimal risk
- Opportunities to invest in movie deals and other entertainment ventures with promises of guaranteed profits and failure to disclose risk

To protect yourself from becoming a victim of investment fraud, take the following actions:

- Become informed about investments and industries before investing
- Talk with others who have made similar investments
- Obtain information from provincial and federal regulatory agencies
- Never buy over the phone without first investigating the situation
- Avoid investment opportunities promising large returns in a short amount of time that seem "too good to be true"—they probably are!

activity A

Activity A
Test your knowledge of saving and investing

03.02.03

name: _____ date: _____

Write the answers to the following questions in the blanks provided. Use the space below each problem to show how you arrived at your answers.

1. How long would it take to double your money in an account that paid 6 percent per year?

   _____

2. What interest rate would double your money in five years?

   _____

In the space provided, write the letter of the savings account or savings method the statement represents. More than one response may apply.

a) Savings account
b) Chequing/savings account
c) Term deposit
d) Guaranteed investment certificate

3. ___ A combination of a chequing and savings account. Interest rates, which are based on a complex structure, vary with the size of your balance.

4. ___ Good investment for a longer period of time.

5. ___ Usually provides a passbook to customers.

6. ___ Bank pays a fixed amount of interest, on a fixed amount of money, for a fixed amount of time, usually for less than one year.

7. ___ Penalty is usually charged if money is withdrawn before expiration date.

8. ___ Lowest interest rate paid.

Activity A
Test your knowledge of saving and investing (continued)

name: _____ date: _____

In the space provided, write the letter of the investment vehicle the statement represents.

a) Bonds
b) Mutual funds
c) Stocks
d) Real estate
e) RRSP
f) Canada savings bond

9. _____ This type of investment offers an excellent protection against inflation.

10. _____ The safest investment guaranteed by the federal government.

11. _____ Issuer agrees to pay investors a fixed interest rate for a fixed period of time.

12. _____ Contributions result in the current income tax payable.

13. _____ A way to own a part of a company and share in its profits.

14. _____ Professionally managed portfolios made up of stocks, bonds, and other investments.

15. List the four most important factors to consider when shopping for a savings account.

_____

_____

16. List the four main differences between saving and investing.

_____

_____

activity A

Activity A
Test your knowledge of saving and investing (answers)

03.02.03

Write the answers to the following questions in the blanks provided. Use the space below each problem to show how you arrived at your answers.

1. **How long would it take to double your money in an account that paid 6 percent per year?**

   12 years 72/6 = 12 years

2. **What interest rate would double your money in five years?**

   14.4% 72/5 = 14.4%

In the space provided, write the letter of the savings account or savings method the statement represents. More than one response may apply.

a) Savings account
b) Chequing/savings account
c) Term deposit
d) Guaranteed investment certificate

3. **b** A combination of a chequing and savings account. Interest rates, which are based on a complex structure, vary with the size of your balance.

4. **c,d** Good investment for a longer period of time.

5. **a** Usually provides a passbook to customers.

6. **c** Bank pays a fixed amount of interest, on a fixed amount of money, for a fixed amount of time, usually for less than one year.

7. **c,d** Penalty is usually charged if money is withdrawn before expiration date.

8. **b** Lowest interest rate paid.

Activity A
Test your knowledge of saving and investing (answers)

In the space provided, write the letter of the investment vehicle the statement represents.

a) Bonds
b) Mutual funds
c) Stocks
d) Real estate
e) RRSP
f) Canada savings bond

9. d This type of investment offers an excellent protection against inflation.

10. f The safest investment guaranteed by the federal government.

11. a Issuer agrees to pay investors a fixed interest rate for a fixed period of time.

12. e Contributions result in the current income tax payable.

13. c A way to own a part of a company and share in its profits.

14. b Professionally managed portfolios made up of stocks, bonds, and other investments.

15. List the four most important factors to consider when shopping for a savings account.

Interest rates	Fees, charges, penalties
Balance requirement	Balance calculation method

16. List the four main differences between saving and investing.

Degree of risk	Availability of funds for use
Rate and stability of return	Amount of protection against inflation

Saving & Investing

quiz

Quiz

03.02.

name: date:

True/False (5 marks)

1. _____ A term deposit must be held for a set amount of time such as six months or a year.

2. _____ Compound interest refers to money earned from buying a tax-exempt investment.

3. _____ A blank endorsement allows anyone to cash a cheque.

4. _____ A mutual fund is an investment issued by a government agency.

5. _____ Treasury bonds are a safer investment than real estate.

Multiple Choice (5 marks)

6. **The lowest interest rate is usually earned on a**
   - **A.** term deposit
   - **B.** savings account
   - **C.** GIC
   - **D.** mutual fund

7. **The total interest earned on $100 for two years at 10 percent (compounded annually) would be:**
   - **A.** $ 2
   - **B.** $ 21
   - **C.** $ 11
   - **D.** $ 10

8. **Based on the rule of 72, money earning 6 percent would take about _____ years to double.**
   - **A.** 6
   - **B.** 8
   - **C.** 9
   - **D.** 12

9. **An example of a company's debt is a**
   - **A.** corporate bond
   - **B.** share of stock
   - **C.** mutual fund
   - **D.** municipal bond

10. **The investment with the most risk would be**
    - **A.** a savings account
    - **B.** CAN Treasury bills
    - **C.** corporate stocks
    - **D.** corporate bonds

Case Application (5 marks)

The Johnson family includes Marv (age 34), Gail (33), Andrew (8), and Molly (4). What are some investment goals that might be appropriate for this family? What types of investments might be used to achieve these goals?

answers

Saving & Investing

quiz

Quiz

03.02.

True/False (5 marks)

1. **T** A term deposit must be held for a set amount of time such as six months or a year.
2. **F** Compound interest refers to money earned from buying a tax-exempt investment.
3. **T** A blank endorsement allows anyone to cash a cheque.
4. **F** A mutual fund is an investment issued by a government agency.
5. **T** Treasury bonds are a safer investment than real estate.

Multiple Choice (5 marks)

6. **The lowest interest rate is usually earned on a**
   B. savings account
7. **The total interest earned on $100 for two years at 10 percent (compounded annually) would be**
   B. $ 21
8. **Based on the rule of 72, money earning 6 percent would take about _____ years to double.**
   D. 12
9. **An example of a company's debt is a**
   A. corporate bond
10. **The investment with the most risk would be**
    C. corporate stocks

Case Application (5 marks)

The Johnson family includes Marv (age 34), Gail (33), Andrew (8), and Molly (4). What are some investment goals that might be appropriate for this family? What types of investments might be used to achieve these goals?

Common investment goals in this situation might be to create an RESP, to save for the children's college education, or an RRSP to save for retirement. The Johnsons might start their saving-investing program with a savings account, term deposit, or GIC. Next, they might consider an aggressive stock mutual fund that could give them good long-term growth for the education and retirement funds. All of those are easier to implement with an automatic withdrawal each month from a bank account to the savings account or the investment company.