# STRANDS AND STANDARDS
# INVESTING & WEALTH MANAGEMENT

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## Course Description

This Investing and wealth management course is designed to teach students the basics of investing and finance. Strands will cover compound interest, risk analysis, financial statements analysis, asset valuation, financial markets, stock valuations, working capital management, investment vehicles and emerging trends in investing. Students will also be encouraged to explore the accounting and finance pathway and the many career opportunities in investing and finance management

| | |
|---|---|
| **Intended Grade Level** | 10-12 |
| Units of Credit | .50 |
| Core Code | N/A |
| Concurrent Enrollment Core Code | N/A |
| Prerequisite | None |
| Skill Certification Test Number | N/A |
| Test Weight | .50 |
| **License Area of Concentration** | CTE and/or Secondary Education 6-12 |
| **Required Endorsement(s)** | |
| Endorsement 1 | Business, Finance & Marketing (CTE/General) |
| Endorsement 2 | Business, Finance & Marketing Essentials |
| Endorsement 3 | N/A |

ADA Compliant: June 2024

# STRAND 1

**Investing Basics- Students will understand the importance of these foundational financial principles and be able to use these concepts to evaluate financial scenarios.**

## Standard 1

Explain and define the **Time Value of Money**, Money can grow only if it is invested over time and earns a positive return. Include how it applies to investments.

- Compare and contrast Simple vs Compound Interest and how to calculate it.
  - **Interest**: Money paid regularly at a particular rate.
  - **Simple Interest**: is calculated using only the principal amount.
    - **principal X interest rate X time**
  - **Compound interest**: is calculated using the principal amount, PLUS the interest that has accumulated over previous periods.
    - **p X [(1 + interest rate)n − 1]**

  **where:**
    - **p = principal**
    - **n = number of compounding periods**
  - Share examples of when it is used in investing such as Saving, Money Market account, and Certificate of Deposit (CD).
- Define asset allocation and Diversification and provide examples of why these concepts are important to investing.
  - **Asset allocation**: dividing your investments among different assets types, such as stocks, bonds, and cash.
  - **Diversification**: the practice of spreading your investments across multiple assets to minimize your exposure to risk of loss.

## Standard 2

Discuss the variables that influence the riskiness of an investment.

- Variables that affect earnings
  - **Market Risk (Systematic)**: Price fluctuations due to overall market or market segment volatility, cannot be mitigated through diversification.
  - **Company Risk (Non-Systematic)**: a company-specific risk associated with a particular investment that can be mitigated through diversification.
  - **Liquidity Risk**: Risk that a security will be difficult to sell in a timely manner or without taking a loss or paying a penalty
  - **Opportunity Cost**: refers to gains you could have attained by choosing a different investment. EX: buy stock A, and it grows 10%, but stock B grew at 15%. Net opportunity cost is 5%.
- **PEST Analysis**
  - **Political**
  - **Economical**
  - **Social**
  - **Technical**
- Fraudulent investments:
  - Common Saying: If it looks too good to be true then it probably is.
    - Ex. Bernie Madoff

**Performance Skill:** (choose one)

- Calculate the growth rate of $10,000 if invested over the last 10 years with two different investments.
- Research and compare two different investments and what the result would be today. What risks were involved with each investment. Students will write a paragraph describing which one would you choose and why?

## STRAND 2

**Equities- Students will be able to identify what an equity investment is and evaluate the performance of these investments using common analysis tools.**

### Standard 1

**Stocks** A form of investment that represents partial ownership in a company

- **Common Stock**
  - Classifications of stock: Authorized, Issued, Treasury, Outstanding
  - Rights of Shareholders: Voting, Ownership, Transfer of Ownership, Protection Against Dilution, Inspection of Financial Documents, Dividends. How do they affect the value of the stock? How are they paid? (Declaration Date, Ex-Date, Record Date, Payment Date)
  - **Stock Splits** - Effects on Stock Price
- **Preferred Stock**
  - Owners have higher priority than common stockholders and usually pay dividends.

### Standard 2 - **Stock analysis**

Define, calculate and apply the terms and concepts below as they relate to analyzing stock performance

- Part of a Stock table
  - **Ticker symbol**: an abbreviation used to uniquely identify publicly traded shares of a particular stock on a particular stock market.
  - **EPS**: (Earnings Per Share) a company's net profit divided by the number of common shares it has outstanding. Resulting number serves as an indicator of a company's profitability.
  - **P/E Ratio**: the ratio for valuing a company that measures its current share price relative to its EPS. Stock price divided by earnings per share.
  - **Beta**: is a measure of the volatility—or systematic risk—of a security or portfolio compared to the market as a whole.
  - **Dividend Yield**: how much a company pays out in dividends each year relative to its stock price.
- Forms of Return:
  - **Capital Gains**: Profits gained from the sale of stock.
  - **Dividends**: A distribution of profits by a corporation to its owners.
- Identify the basic components of common financial statements
  - Income Statement: Revenues & Expenses
  - Balance Sheet: Assets, Liabilities, & Owner's Equity

### Standard 3

Explore the types of markets and identify the acronyms that are commonly used.

- **Stock Exchange Markets**: New York Stock Exchange (NYSE), NYSE America, NASDAQ
  - **Stock Indexes**: A collection of stocks meant to represent the market or a portion of it.
    - Ex. Dow Jones Industrial Average, NASDAQ, S&P 500
  - Trade Types
    - **Market Order**: an order to buy or sell a stock at the best available current price
    - Short Selling: Selling stocks before you purchase them with the hope of buying them at a lower

price before the delivery time.
- Limit Order: Selling at or below a specified price. Buying at or above a specified price.
- Stop Order: typically placed to limit a loss or protect a profit

### Performance Skill: (Choose one)

- Have students select stocks, or a group of stocks that they would invest in over the term or trimester. Students should monitor the stocks performance and evaluate how well they performed over time.
- Have students select stocks through a stock investment simulation and evaluate the performance of the stocks over a period of time.

## STRAND 3

**Bonds (Debt)- Students will be able to identify bonds and their earning potential in an investment portfolio.**

### Standard 1

**Bonds**: Loan obligation where the issuer is borrowing funds that must be repaid with interest to the investor.

- Issuers: U.S. Government, Agencies of the U.S. Government, Municipal Governments, and Corporations

### Standard 2

Discuss and describe **Bond Types**, their uses and origin.

- **Corporate Bonds**: A debt issued by a company in order to raise money.
- **Government Bonds**: Debt issued by the government in order to raise money for special projects that benefit the community, state or nation. T-Bills, Treasury Notes, Treasury Bonds, Treasury Inflation Protection Securities (TIPS), Zero Coupon Bonds, U.S. Government Bonds
  - Government Agency Bonds - Education Agency Bonds, Farming Agency Bonds, Housing Agency Bonds
  - Municipal Bonds: Issued by city, county and state governments these bonds are exempt from federal taxation

### Standard 3

Define common terms used in **Bond Valuation**.

- **Par Value**: Also known as the principal, is the amount the issuer will repay to the investor at maturity with interest
- **Maturity**: The length of time from issuance until issuer is scheduled repayment. On the maturity date the par value is paid to the investor, known as "return of principal", as well as the last interest payment.
- **Coupon**: annualized rate of interest based on the par value
  - Methods of Payment:
    - Periodic Interest Payments (usually every 6 months)
    - Interest Paid at Maturity with Principal (Zero Coupon Bonds)

### Standard 4

Identify the different levels of **Bond Risk**

- Which types of bonds have the least risk to the most risk: Treasury Bonds to Junk Bonds
- Bond Ratings - Moody's & S&P
- Investment Bond:
- BoSpeculative Bond:

| Ratings for LONG TERM Debt Securities | | |
|---|---|---|
| Moody's | S&P's | Grade Level |
| Aaa | AAA | Investment |
| Aa | AA | |
| A | A | |
| Baa | BBB | |
| Ba | BB | Speculative |
| B | B | |
| Caa | CCC | |
| Ca | CC | |
| D | C \| D | |

| Ratings for SHORT TERM Debt Securities | | | |
|---|---|---|---|
| Municipal Notes | Commercial Paper | | Grade Level |
| MIG-1 | A1 | P1 | Investment |
| MIG-2 | A2 | P2 | |
| MIG-3 | A3 | P3 | |
| SG | B | NP | Speculative |
| B | C | | |

# STRAND 4

**Packaged Products- Students will understand the different types of funds and the benefits of owning each.**

## Standard 1

Examine **Mutual Funds**: a type of investment made up of a pool of money collected from many investors to invest in securities like stocks, bonds, money markets, and other assets.

- Fund Types
  - **Growth**: composed of stocks with the potential to rapidly grow in value
  - **Income**: composed of stocks expected to pay regular income (dividends)
  - **Growth & Income**: composed of a mix of growth and income stocks
  - **Sector Fund**: composed of stocks from one sector or industry
  - **Balanced**: composed of a mix of stocks and bonds
  - **Asset Allocation**: composed of a mix of stocks, bonds, & money markets
  - **Index**: composed of stocks that seek to mirror a market index and match its performance
  - **Life Cycle or Target Date**: pre-determined asset mix that is adjusted to meet an investment objective by a target date and are commonly used in retirement accounts
- Discuss the Characteristics of **Mutual Funds**
  - Managed by an Investment Company and Fund Manager
  - The investments within the fund are constantly changing
  - Continuous primary offering (Sold & Redeemed by investment company)
  - Only trade once a day after the market closes
  - **Prospectus** (required by law) a document detailing the investment objectives and strategies of a particular investment as well as the finer points of the fund's past performance, managers and financial information.
- Explain how the pricing of Mutual Funds is determined by the NAV. This represents a funds per share market value.
    - **Net Asset Value** (NAV) = (Assets - Liabilities) / # Shares
    - Price determined at the end of each day after market closing
  - Mutual Fund Fees
    - **Expense Ratio**: The cost of owning a mutual fund or ETF

## Standard 2

**Exchange Traded Funds** (ETFs): is a basket of securities that trades on an exchange just like a stock. ETFs can contain all types of investments, including stocks, commodities, or bonds; some offer U.S.-only holdings, while others are international.

- Management
  - Track the performance of an index (most)
  - Investments are selected by a Fund Manager

    - Once issued the investments are fixed and do not change
    - ETF share trade like a stock
- ETF Fees
    - Lower (than index MFs) expense ratios
    - Commissions on transactions
    - Can be purchased on margin
    - Can be shorted

### Performance Skill:
Students will evaluate different mutual funds and match them to an investor's risk tolerance level.

## STRAND 5
**Emerging investment trends**- Students will explore current trends in investing and other investment vehicles used to grow wealth.

### Standard 1
Identify the types of collectable items that people can invest in. Explain why value may increase or decrease over time. Examples of collectables as an investment: Art, Sneakers, NFTs, Lego, baseball cards, Pokemon cards

### Standard 2
Define Cryptocurrency and identify some of the more common forms

- **Cryptocurrency**: a digital currency in which transactions are verified and records maintained by a decentralized system using cryptography, rather than by a centralized authority.
- Explain how these currencies operate differently than other investments or monies. There are no companies, government or underlying assets that guarantee the value of these currencies. The value is created through the blockchain process and the supply and demand in the trade market.
    - Etherium
    - BitCoin
    - DogeCoin

### Standard 3
Define **REIT**: is a company that owns, and in most cases operates, income-producing real estate. REITs own many types of commercial real estate, including office and apartment buildings, warehouses, hospitals, shopping centers, hotels and commercial forests.

### Performance Skill
Students will compare and contrast two different emerging investments and discuss the advantages and disadvantages.

## STRAND 6
**Finance and investing Careers and the Accounting & Finance Pathway-Students will identify the courses that will help them to be a pathway completer as well as potential careers in investing and finances.**

### Standard 1
[Accounting & Finance Pathway]

- Identify the "Explorer" courses offered at your school
- Identify the "Concentrator" courses taught at you school
- Identify the "Completer" course for the Accounting and Finance Pathway

### Standard 2

Certifications, Licenses, and Degrees in Investing and Finance
In-house training from finance and investing companies to sponsor the professional exams. An Individual cannot take without a sponsor through a brokerage and it requires continuous re-licensing.

- **Certifications and Licenses**
  - Explore the various Investor/advisor exams (Example Series 6, 7, 9 and 10)
  - CFP: Certified Financial Planner
  - CFA: Certified Financial Accountant
- **Degrees Available**
  - Most State colleges offer a Bachelors in Finance, Accounting, Economics, and Business This is usually required to be hired in this field.
  - SLCC offers Accounting, Business, Financial Services
  - U of U Minor in Advanced Financial Analysis

### Standard 3

Careers in Investing and Finance

- Explore current job postings in this field to introduce students to the fact that this is a high wage high demand field. There are many options that are available based on different strengths.

## Skill Certification Test Points by Strand

| Test Name | Test # | Number of Test Points by Strand | | | | | | | | | | Total Points | Total Questions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| Investing & Wealth M | 237 | 10 | 13 | 6 | 10 | 4 | | | | | | 43 | 43 |

## Skill Certification Percentage Points by Strand

| Test Name | Test # | Percentage Points by Strand | | | | | | | | | | Total Points | Total Questions |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | | |
| Investing & Wealth M | 237 | 23 | 30 | 14 | 23 | 9 | | | | | | 43 | 43 |