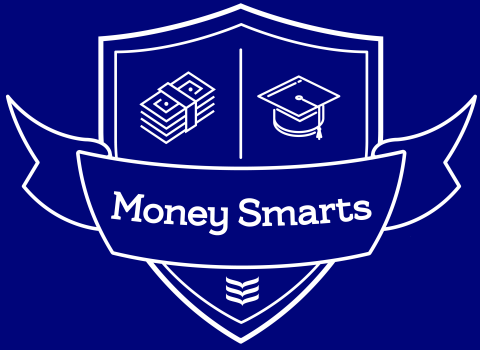


PILLAR 4



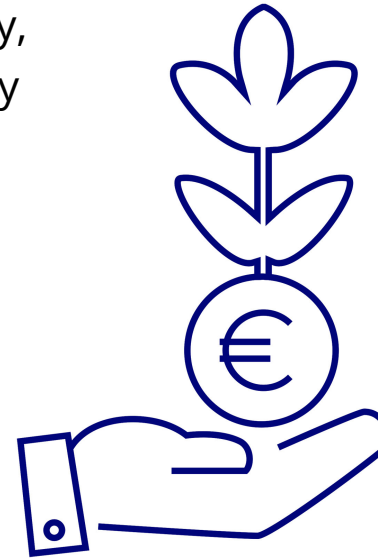
Money Smarts Challenge  
**Investing**

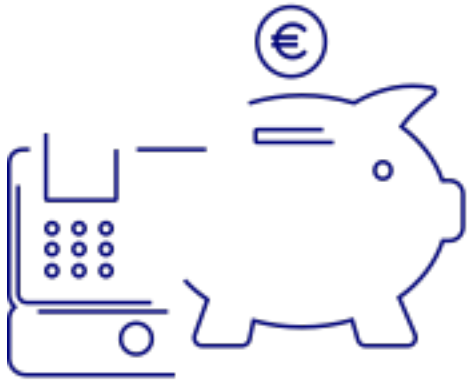


# Welcome

Financial Wellbeing is about what you do with your pot of money, not the size of it. It's about making sure you can cover day-to-day expenses, plan for the future and manage the unexpected. This presentation covers investing, a tool often used by people when they have a long term financial goal in mind.

Investing is the fourth of six pillars of Financial Wellbeing. The following information provides your students with a basic understanding of investments. The content is designed to give you a flavour of what you can expect your students to be quizzed on as part of the Money Smarts Challenge.





Spending and Saving



Financial Decision Making



Earning and Income



Credit and Debt



**Investing**

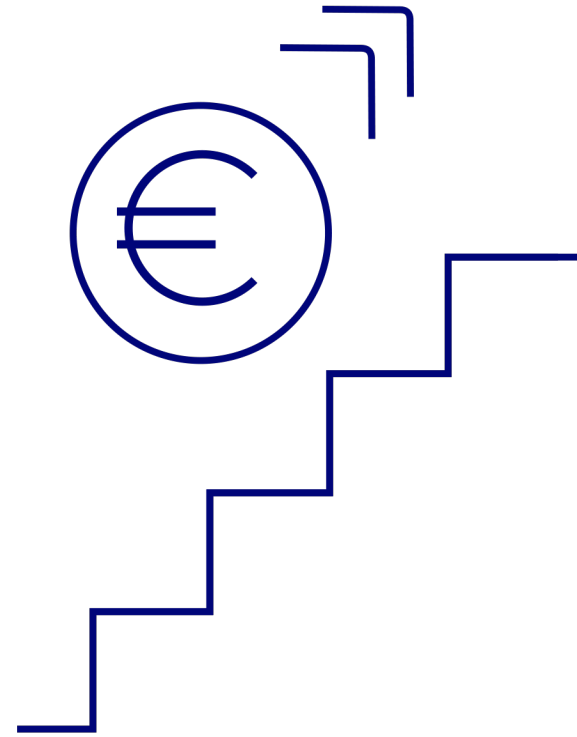


Risk and Protection

# WHAT IS INVESTING?

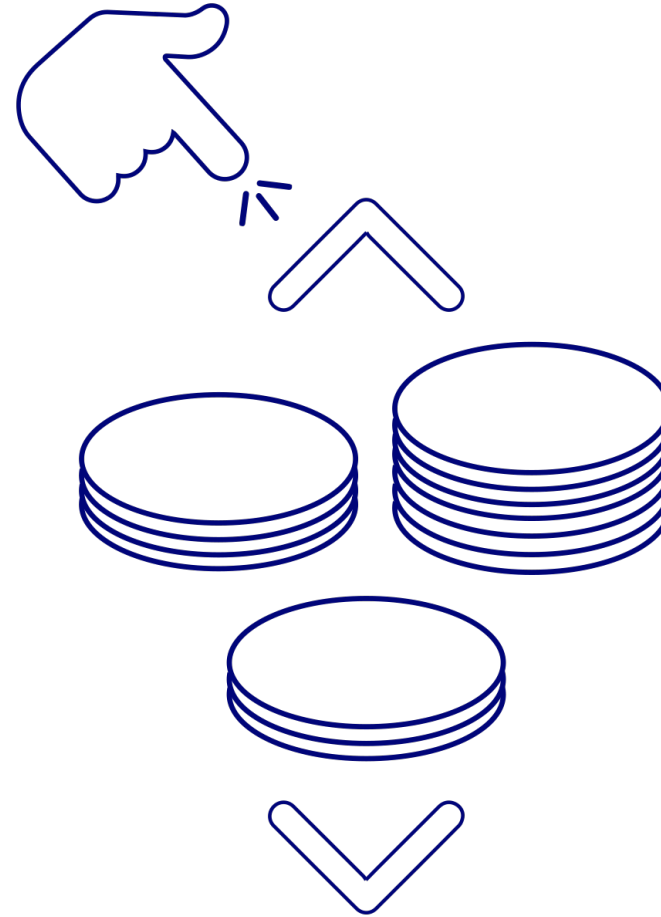
Believe it or not, your education is an example of investing. It's an investment your parents / guardians and teachers are making in you today, so that it pays off in the future.

When it comes to money, people invest it in an attempt to grow it. However, investing carries risk.



## THINGS TO REMEMBER

1. There are many ways to invest money. There are also lots of risks that need to be factored in when making investing decisions. You are not guaranteed a return and it's possible to lose some or all of the money you invest.
2. You may not be able to access your money for a set period of time and it may take longer than it would to take money out of a savings account.
3. The Investment Risk Hierarchy provides an overview of the correlation between risk and expected rates of investment return.
4. Remember, all investments carry some risk so it is important to understand the level of risk you are taking.



# INVESTMENT RISK HIERARCHY

HIGH

LOW

Risk

## Commodities

Sugar, Oil, Bitcoin, Litecoin, Ethereum,  
(digital currencies)

## Equities

Shares in companies traded in regulated stock exchanges

## Property

Family homes, investment property

## Mutual Funds (UCITS)

A diverse range of financial instruments  
including shares, bonds as well as cash

## Bonds

Government, corporate etc.

## Cash

In bank accounts and money markets

Potential Return

# THE RULE OF 72

When it comes to investing, there's a rule you can use to calculate the rate of investment growth required to double the value of your money. It's called the Rule of 72.

## COMPOUND INTEREST RULE OF 72

Divide the Rule number (72)  
by the rate of return (R) to arrive  
at the number of years (N)

$$\begin{array}{c} \text{INTEREST RATE} \\ \downarrow \\ \mathbf{72} \div \mathbf{R} = \mathbf{T} \\ \downarrow \\ \text{YEARS TO DOUBLE} \end{array}$$

$$\begin{array}{c} \text{WORKING EXAMPLE} \\ \downarrow \\ \mathbf{72} \div \mathbf{4} = \mathbf{18} \\ \begin{array}{c} \text{4\% Annual} \\ \text{Interest Rate} \end{array} \qquad \begin{array}{c} \text{18 Years to Double} \end{array} \end{array}$$

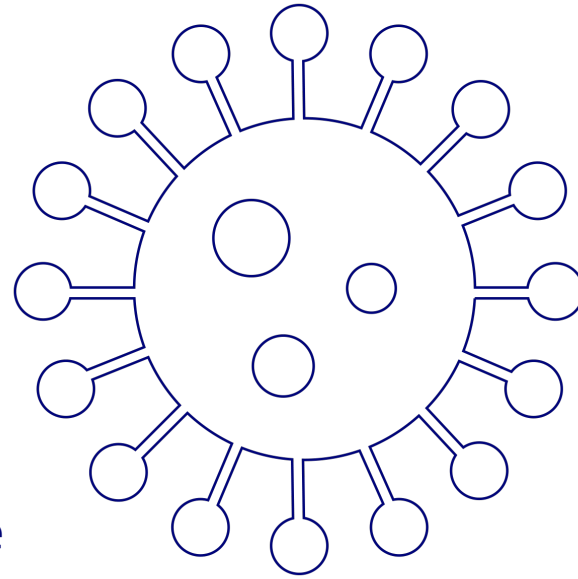
## WHAT FACTORS CAN IMPACT YOUR INVESTMENT?

A diverse range of news and other events can impact the value of shares, bonds and cash.

For example, the onset of a pandemic may cause people to sell shares and prices can fall.

The discovery of a vaccine may cause people to buy shares in a company that produces a vaccine and prices rise.

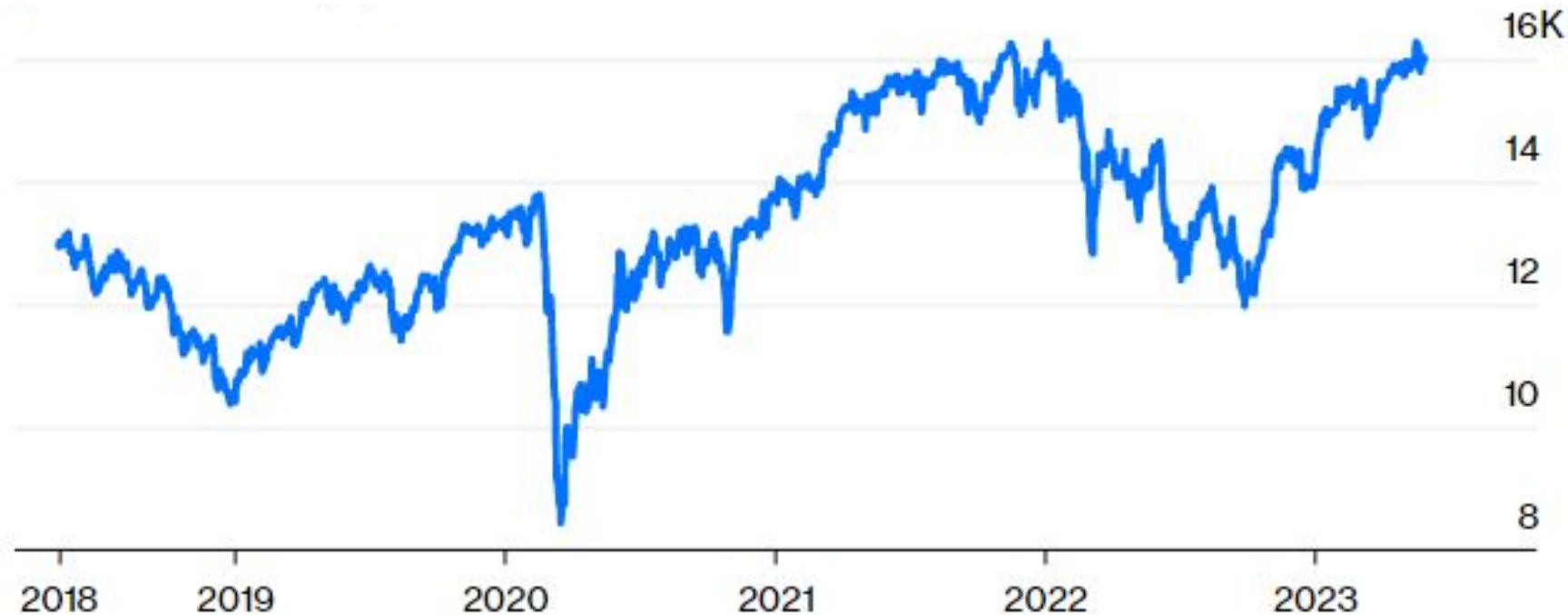
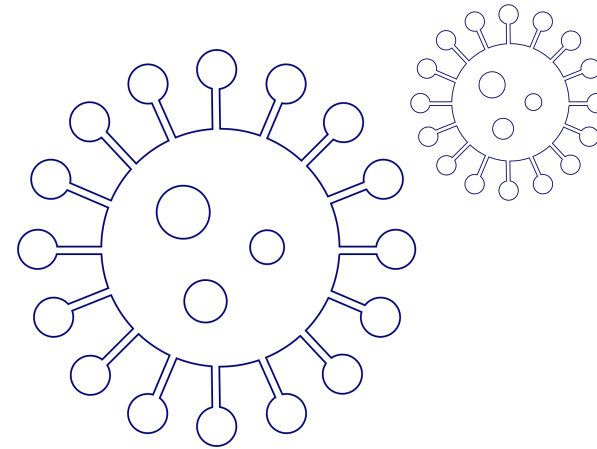
Inflation will impact the 'buying power' of cash and interest rates can impact the value of bonds.





## WHAT FACTORS CAN IMPACT YOUR INVESTMENT?

This graph shows the impact the onset of Covid-19 had on the German Stock market as it dropped sharply.



Source: Deutsche Boerse, Bloomberg



## GROUP WORK

In small groups, ask your students to consider the following scenario before presenting their answer back to the class.

Discuss investment risk and diversification and why it's important not to put all your money in a single investment.



### Money Smarts Challenge Sample Quiz Questions

To view sample questions from last year's quiz, visit [boi.com/moneysmarts](https://boi.com/moneysmarts) and click on the Money Smarts Challenge Sample Quiz Questions PDF.

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