

WORKSHEETS AND ACTIVITIES

Saving & Investing Worksheet

1) Use the "Rule of 72" to approximate the following:

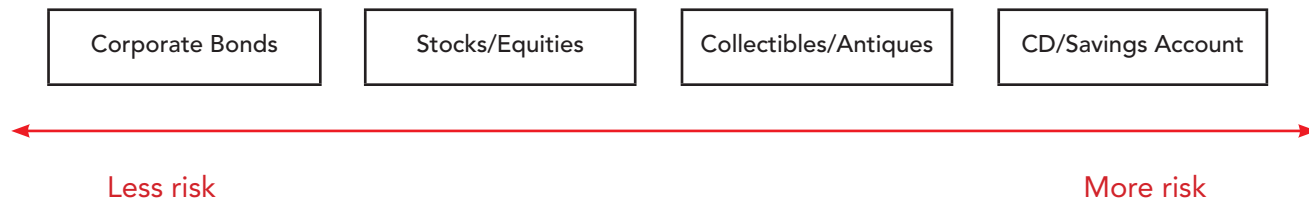
- \$1,000 initial investment, at a 6% average annual return. What is the value after 36 years?
A. \$4,000 B. \$6,000 C. \$13,000 D. \$8,000
- \$1,000 initial investment, at a 12% average annual return. What is the value after 36 years?
A. \$13,000 C. \$64,000 C. \$128,000 D. \$48,000

2) What is inflation? Describe how it affects purchasing power.

3) Explain why hyper-inflation and deflation both have negative effects on economies.

4) What are the differences between "wants" and "needs"? Provide examples of each.

5) Using the risk spectrum below, place these investment options in order of least risky to most risky.



6) True or False: Past investment returns provide an accurate indication of future performance of an investment.

- A. True B. False

7) Circle whether the identified investment is an appropriate investment for a long- or short-term investment horizon.

- | | |
|--|------------------------|
| • Cash | Long term / Short term |
| • Certificate of Deposit/Savings Account | Long term / Short term |
| • Antiques/Collectibles | Long term / Short term |
| • Real Estate | Long term / Short term |
| • U.S. Government Treasury Bills | Long term / Short term |
| • Foreign Equities | Long term / Short term |
| • Investment Grade Corporate Debentures | Long term / Short term |

8) True or False: Actively managed funds are more likely to beat their benchmark than passive funds.

- A. True B. False

9) Circle the correct answer: Diversifying investments increases or decreases risk compared to a single investment?

- A. Increase B. Decrease

10) The average investor's return is far lower than the market average return because of which of the following? Circle all that apply.

- A. People invest irrationally based on emotion. B. Investors try to time the market.
C. Frequent trading results in more commissions D. Investors chase returns.

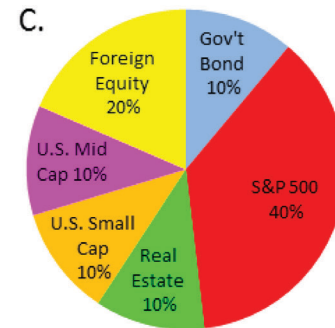
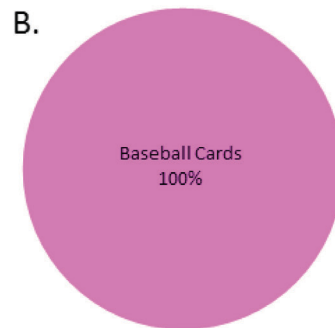
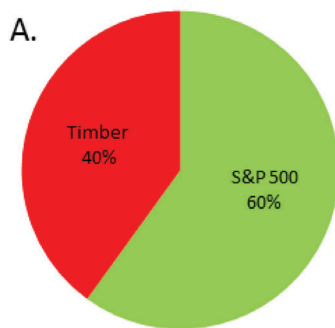
11) True or False: Lower costs/expenses are the best indicator of the future performance of a fund.

- A. True
- B. False

12) True or False: Passively managed funds or ETFs generally have higher costs/expenses than their actively managed counterparts.

- A. True
- B. False

13) Which of the following is the most diversified portfolio?

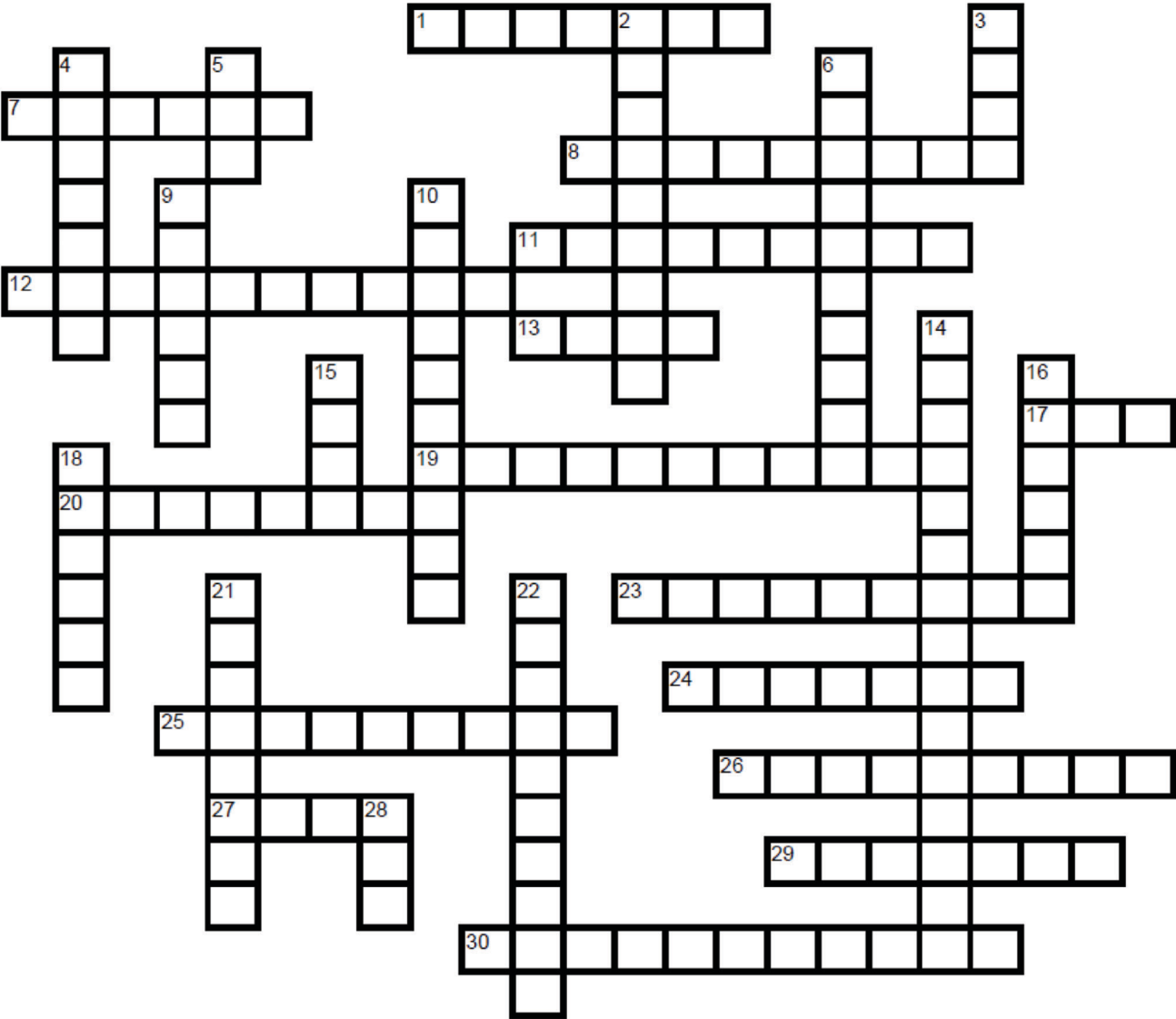


14) You should aim to save at least what percent of your income?

- A. 78%
- B. 6%
- C. 3%
- D. 15%

15) Research project: On a separate sheet of paper, explain how either of the following concepts can negatively affect investing behavior: "myopic loss aversion" or "social validation."

Saving & Investing Crossword



ACROSS

1. Investment style that mimics an index or matches a benchmark
7. Document setting forth income and spending used for planning
8. Standard used to measure performance of an investment
11. General decrease in the prices of goods
12. Investment vehicle comprised of securities using funds pooled from many investors
13. Debt investment wherein one party lends money to another
17. An index fund that trades like a security (abbreviation)
19. Past _____ does not guarantee future results
20. Money paid for the use of money or delaying debt repayment
23. General increase in the prices of goods
24. Amount that expenses exceed revenues; loss
25. _____ to mean. Markets always generate their historical average returns.
26. Dollar cost _____: making constant scheduled purchases of the same amount in a security
27. Government entity that insures bank deposits (abbreviation)
29. Investment _____: anticipated length of hold time of an investment
30. Adding earnings to an initial investment that also earns money

DOWN

2. Type of mutual fund that tracks a benchmark or index
3. The possibility of losses compared with the probability of expected return on an investment
4. Amount that revenues exceed expenses; profit
5. Government watchdog entity for investments and securities (abbreviation)
6. A fee charged to an investor by a broker to trade a security
9. Ownership in an asset
10. Legal procedure involving an entity unable to pay debts
14. Spreading investments in different securities/asset classes
15. Payment to an employee based on hours or days worked
16. Amount earned on an investment, expressed as a percentage
18. Able to be easily and quickly converted into cash
21. Quick method used to determine when money doubles, based on the annual return
22. Asset _____: how one divides investments among different asset classes

Saving Goals Worksheet

As you read this you know that you may have to wait before you can buy something you want because you don't have the money. There is a difference between things you want and things you need.



And we all have to make choices about how to spend our money. This is called budgeting. A budget sets forth your anticipated income and spending over a period of time. It allows you to see what you can afford, how much you can spend, and if you need to cut back on buying things because you don't (or won't) have enough money.

There is simply not enough money to buy everything you might want. You must prioritize . . . you may have to wait to buy something you want because you can't afford it or because you need something else. Before you buy something, research it, shop around, compare prices, and ask questions. Do you really need the item, or can you live without it? Are you replacing something broken? Do you have something else that will work just as well? What advantages does the new one offer?

Once you have made decisions about what you are going to purchase you can then set savings goals for those items. In fact, studies have shown that people who actually write down their goals on a piece of paper are 33% more likely to reach them. Use this worksheet to help you reach your savings goals.

Goal	Cost	Number of Months Until Purchase	Monthly Savings Needed	Weekly Savings Needed

- 12. Foreign Equities Long term
- 13. Investment Grade Corporate Debentures Short term
- 14. FALSE
- 15. DECREASE
- 16. ALL ANSWERS ARE ACCURATE
- 17. TRUE
- 18. FALSE
- 19. C
- 20. D
- 21. "Myopic loss aversion" occurs when investors temporarily lose sight of their long-term goals and focus on potential immediate losses. The body/mind experience the same physiological response as "fight or flight" syndrome. This results in panicked, irrational selling based on emotion. "Social validation" is our innate desire to be a part of the crowd. It causes a perceived validation of investment decisions by following the herd and doing what others are doing, without any sound investment rationale.

Saving & Investing Crossword Answer Key

ACROSS

- 1. PASSIVE
- 7. BUDGET
- 8. BENCHMARK
- 11. DEFLATION
- 12. MUTUAL FUND
- 13. BOND
- 17. ETF
- 19. PERFORMANCE
- 20. INTEREST
- 23. INFLATION

- 24. DEFICIT
- 25. REVERSION
- 26. AVERAGING
- 27. FDIC
- 29. HORIZON
- 30. COMPOUNDING

DOWN

- 2. INDEX FUND
- 3. RISK
- 4. SURPLUS

- 5. SEC
- 6. COMMISSION
- 9. EQUITY
- 10. BANKRUPTCY
- 14. DIVERSIFICATION
- 15. WAGE
- 16. RETURN
- 18. LIQUIDITY
- 21. RULE OF 72
- 22. ALLOCATION
- 28. CPI