Lesson 15

Chapter 1: Investing concepts

Recommended current course:
Building the entrepreneurial mindset

Recommended course code: BEM10

Previous course: Introduction to business, Grade 9 or 10, Open

Previous course code: BBI1O/2O

Focus: Personal finance

Time: One 75-minute period

Topic: Common investing pitfalls

Curriculum Connections

OVERALL EXPECTATIONS:

- Develop skills in managing personal income effectively, such as skills in budgeting, planning, saving and investing.

Curriculum expectations

A1.2

Use a project management process to manage the main aspects of a business project, including goals, key performance indicators, resources, delegation of tasks and responsibilities, progress of tasks, deadlines and risks, while demonstrating a leadership style appropriate to each situation.

A1.3

Evaluate tasks and projects on a regular basis in terms of goals, key performance indicators and outcomes, taking into account feedback gathered from a variety of sources.

A2.1

Identify a variety of existing and emerging digital technologies, tools and applications designed to support the completion of various business-related tasks and projects.

A2.3

Select and use the most appropriate digital technologies, tools and applications to complete a variety of business-related tasks and projects.

A3.1

Describe ways in which problem solving and creative and critical thinking can be applied to address local and global real-world opportunities and challenges.

A3.4

Create and maintain a portfolio that illustrates business competencies and growth as an entrepreneur.

C1.2

Research, synthesize and organize information from a variety of sources to support the topic and purpose of various business texts and to provide accurate and credible communication.

BBI10/20 EXPECTATIONS:

- Explain how fluctuations in interest rates affect saving, investing and spending decisions.
- Identify various types of investment alternatives (e.g., GICs, stocks, bonds, mutual funds).
- Compare the benefits of saving and investing.
- Demonstrate an understanding of the factors that will affect the value of money over time (e.g., compounding interest, rate of inflation, saving, investment decisions).

21ST CENTURY/GLOBAL COMPETENCIES:

- Digital literacy: Selecting and using appropriate digital tools to collaborate, communicate, create, innovate and solve problems.
- Critical thinking and problem solving: Detecting patterns, making connections and transferring or applying what has been learned in a given situation to other situations, including real-world situations.
- Communication: Effectively conveying ideas, information and data through various mediums, including written, oral and visual communication.
- Collaboration and teamwork: Students learn from others and contribute to their learning as they co-construct knowledge, meaning and content.
- Financial literacy: Understanding basic financial concepts and the ability to make informed financial decisions.

Assessment and evaluation

Assessment/success criteria:

Students will

- understand the most common investing mistakes and how to avoid them
- explore the impact of different investment strategies on the returns of an investment portfolio, specifically comparing dollar-cost averaging (DCA) and lump-sum investing

Assessment tools: (Assessment FOR/AS learning)

- Questioning.
- Observation.
- Presentation.
- Debate.

Prior learning

Prior to this lesson, students will have an understanding of

- basic asset classes, including cash, equities, bonds, crypto and real estate
- the relationship between risk and return
- the importance of diversification

Instructional strategies

- Direct instruction.
- Teacher modelling.
- Small group work.
- Class discussion.
- Presentation.
- Scaffolding.
- Questioning.
- Debate.

Materials and resources

- Computer, speakers, classroom digital video projector, internet access.
- Video: Common investing pitfalls.
- Whiteboard and markers, chalk and chalkboard or equivalent.
- PowerPoint presentation: Common investing pitfalls.
- Student handout.
- Student devices, classroom computers or shared computers, tablets, laptops, etc.
- Mini whiteboards or chart paper and markers.

MINDS ON (10 minutes)

Note: All instructions, along with visual aids, will be explained by the teacher and also presented visually on PowerPoint slides.

1. Ask a student to fill in the blank: Buy _____, sell _______.
2. Pose this question to students: "If all investors know to buy low and sell high, then why aren't we all rich?"
3. On the whiteboard or PPT slide, brainstorm common investing mistakes with students.

ACTION (20 minutes)

1. Watch Money Gains video: Common investing pitfalls
2. Discuss the common mistakes discussed on Slides 4–7.

Common investing mistakes - Lack of diversification

Mistake: Putting all funds into a single investment or asset class without diversifying across different types of investments.

Impact: Concentrated portfolios are more susceptible to the risks associated with a specific investment, industry or market.

Solution: Diversify!

Common investing mistakes - Trying to time the market

Mistake: Trying to time the market by predicting when to buy or sell investments based on short-term market fluctuations.

Impact: Timing the market consistently is extremely difficult, and frequent trading can result in missed opportunities and increased transaction costs.

Solution: Dollar-cost averaging.

Common investing mistakes - Not rebalancing regularly

Mistake: Failing to regularly review and rebalance the investment portfolio in response to changes in market conditions or personal circumstances.

Impact: Over time, the portfolio may become misaligned with the investor's goals and risk tolerance.

Example:

- You invest $1,000: $250 each in four companies A, B, C and D.
- If company A goes up in value more than the others, it will account for a larger portion of your portfolio.
- Rebalancing would involve selling some shares of company A and buying more of companies B, C and D.
- It may feel counter intuitive to sell stocks that have gone up in value and buy more of stocks that have gone down, but it's important to do this to keep your portfolio on track.
- Must rebalance your allocation of stocks and bonds in a balanced portfolio: if stocks go up in value a lot, you may end up with a lot more exposure to stocks than you're comfortable with.

Common investing mistakes - Emotional decision making

Mistake: Allowing emotions, such as fear or greed, to drive investment decisions rather than relying on a well-thought-out strategy.

Impact: Emotional decisions may lead to impulsive actions, such as panic selling during market downturns or chasing trends without proper analysis.

Investors focused on the long term should avoid selling their investments when they are down and changing their portfolio after a downturn and making it too conservative.

Solution: Dollar-cost averaging.

3. Explain dollar-cost averaging to students (Slides 8 and 9):

WHAT DO YOU DO WHEN YOU SEE AN ITEM THAT YOU WANT GO ON SALE?

If you have space in the cupboard, you stock up. That same thinking can also apply to investing: if the company you like gets cheaper, you might load up your portfolio with new shares.

There's one problem: it can be hard to know when a stock is on sale, especially during periods of market volatility. When the price of your favourite cookies drops, you get excited. Investors, though, tend to get anxious when the market falls, and don't buy more stock when maybe they should.

Fortunately, dollar-cost averaging, or DCA for short, is a proven strategy that helps investors buy more shares of a company when they get cheaper, and fewer when they get more expensive, helping them ultimately purchase more stock at lower overall cost.

DCA is essentially investing on a schedule. You always invest the same amount of money in certain stocks or funds at the same time – like once a month or once a quarter – regardless of fluctuations in price.

Iconic investor Warren Buffett has long advocated for DCA as a way for investors to stay consistent with their wealth-building goals.

DCA lessens the risk that you will put that chunk of money into an investment at the wrong time, like right before a market crash.

CONSOLIDATION AND CONNECTION (30 minutes)

Activity: Investing strategies comparison

1. Have students choose a well-known company that's publicly traded.
2. Explain that students will be comparing the returns of dollar-cost averaging (DCA) and lump-sum investing for this stock.
3. Assign each student or group a hypothetical investment amount (e.g., $1,000).
4. Choose a time period (e.g., six months) and have students look up the closing stock price for each month.
5. Instruct students to use the Excel template to
   a. simulate a DCA strategy by investing a fixed amount (e.g., $200) at the end of each month
   b. simulate a lump-sum investment by investing the entire amount at the beginning of the time period

   Model the example on Slide 12:

Example: Apple

	Number of shares purchased								
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Total $ invested	Total shares	Total value end of 6 months
1. Calculate your total returns if you'd made a lump-sum investment by investing the entire amount at the beginning of the six-month period (use the stock price from six months ago).	5.49						$1,000.00	5.49	$1,061.54
2. Calculate your total returns if you'd used a DCA strategy by investing a fixed amount (e.g., $200) at the end of each month (use the closing price for each month, starting six months ago).	1.02	1.11	1.02	1.17	1.19	1.04	$1,000	6.55	$1,265.13
3. Which strategy performed better?	Dollar-cost averaging								

6. Students chose stocks that had a greater return under lump-sum investing, and how many chose stocks that had a greater return from DCA.
7. Discuss the results.

Homework

DISCUSSION POST:

- Post the following discussion questions to students on the class website. Alternately, students can complete the reflection in a document or with pencil and paper.
  1. What factors influenced the performance of each investment strategy?
  2. In what market conditions might one strategy be more favourable than the other?
  3. How does risk tolerance play a role in choosing between DCA and lump-sum investing?

Accommodations

- Students can be supported throughout these discussions through teacher prompts.
- Differentiated instruction:
  - Content will be provided auditorily and visually.
  - Differentiation through letting students choose which stock to investigate during the investing strategies comparison.
- Provide organizers/notes: Students will be provided with an Excel template to complete the investing strategies comparison.
- Chunking/scaffolding:
- The teacher will model how to perform the investing strategies comparison.
- Teacher will circulate to check in with and assist students throughout the activity.
- Peer learning partners: Strategic heterogeneous grouping (grouping students of various abilities) will help to better encourage conversation and collaborative learning skills as they help and advocate for each other in understanding and communicating their ideas.
- Extra time/adjust pace:
  - The teacher can give students extra time to complete the activity.
  - If students finish early, they can complete the discussion post in class.

References

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