



# What to Do With a Windfall

EPISODE #511

ACTIVITIES & LESSONS

## LESSON LEVEL

Grades 6-8

## KEY TOPICS

- Decision Making
- Investing
- Personal Financial Plan

## ENTREPRENEURS & STORIES

- LA Sparks WNBA Basketball – Candace
- Layla West Dance – Layla
- Online Sales – David
- Tic Tac Tag – Nick
- Kids Toys – Brandon & Jordan

## EPISODE SYNOPSIS

Congratulations – you have a windfall! Now what? Take a look at some investment alternatives and how to evaluate them based on time, risk, and rate of return. Meet several young entrepreneurs who were faced with a financial opportunity and see where they decided to invest their money.

## LEARNING OBJECTIVES

1. How to make an ongoing financial plan.
2. Investing to build wealth.
3. How to evaluate investment alternatives.

## NATIONAL STANDARDS CORRELATIONS

Aligned to National Financial Literacy Standards from the *JumpStart Coalition for Personal Financial Literacy*.

### Financial Responsibility and Decision Making

*Overall*

*Competency:* Apply reliable information and systematic decision making to personal financial decisions.

*Standard 1:* Take responsibility for personal financial decisions.

*Standard 2:* Find, evaluate financial information from variety of sources.

*Standard 4:* Make financial decisions by systematically considering alternatives and consequences.

### Planning and Money Management

*Overall*

*Competency:* Organize personal finances and use a budget to manage cash flow.

*Standard 1:* Develop a plan for spending and saving.

*Standard 6:* Develop a personal financial plan.

### Saving and Investing

*Overall*

*Competency:* Implement a diversified investment strategy that is compatible with personal goals.

*Standard 2:* Explain how investing builds wealth and helps meet financial goals.

*Standard 3:* Evaluate investment alternatives.

*Standard 4:* Describe how to buy and sell investments.

Aligned to Voluntary National Content Standards in Economics from the *Council for Economic Education*.

*Standard 2:* Decision Making

*Standard 11:* Money & Inflation

## CONTENTS

- Lesson Prep & Screening
- Activity #1
- Curriculum Connections
- Activity #2
- Biz Terms Vocabulary
- Family Activity Sheet



# LESSON PREP & SCREENING

## Getting Started

Familiarize yourself with the episode ahead of time. It will serve as a springboard for student learning, discussions, vocabulary exploration, and hands-on activities. Determine what is required to show the episode in your classroom and borrow equipment if needed. Choose an activity (each one takes between 45-60 minutes), and gather supplies. Have fun!

## Equipment & Supplies

For all activities, students will need a pen or pencil. Additional equipment needs are identified on activity pages.

## Screening

Introduce the series and the episode. Then, prior to playing the episode, lead your students in a discussion with the preview questions on this page. Explain that **Biz Kid\$** is a public television series that teaches kids about money and business. Also mention that the [bizkids.com](http://bizkids.com) website has lots of video clips, games, a blog, and other resources.

## About the Episode

Congratulations – you have a windfall! Now what? Take a look at some investment alternatives and how to evaluate them based on time, risk, and rate of return. Meet several young entrepreneurs who were faced with a financial opportunity and see where they decided to invest their money.

## Preview Questions

- What would you do with your money if you suddenly received a windfall?
- Beyond planning how to spend it, do you have a financial plan?
- Are you aware that you can buy stocks and bonds?

## Summary & Conclusion

The younger you are when you start saving and investing, the more time you have to build wealth to meet your financial and life goals. Without a personal financial plan, it's more difficult to stay on track to be financially successful. Start planning early to get your needs, wants, desires, and goals met. Understand your short and long-term time horizons and the risks and rewards associated with the investments you choose to incorporate into your financial plan. Your plan will change as your life and needs change. It's a good idea to periodically consult with a financial professional to see what makes sense for your situation. Happy planning, Biz Kid!

## Family Connection

Distribute a copy of the Family Activity Sheet to each student to share what they've learned with their families.



Activity #1:

# INVESTMENT PLAN

## Activity Learning Objectives

- Consider RISK and TIME when selecting investments.
- Distinguish between stocks and bonds.
- Learn steps for investing.
- Introduce *Biz Terms* and definitions used in the episode.

## Episode Details

Congratulations – you have a windfall! Now what? Take a look at some investment alternatives and how to evaluate them based on time, risk, and rate of return. Meet several young entrepreneurs who were faced with a financial opportunity and see where they decided to invest their money.

## Directions

Read the episode details out loud to the class. Hand out the worksheets titled “For Students” and discuss them together in class. Read the *Biz Terms* and discuss the vocabulary/episode review questions. Call on volunteers for answers, and have them explain to the group why they chose the term they believe to be correct.

Then, give the students time to complete worksheets. Finally, acting as a facilitator, allow students to discuss the issues. See Curriculum Connections on page 8 for additional ways to work with *Biz Terms*. (Note: the definitions are on page 11.)

## Activity Wrap-Up

Thank the students for their participation, and remind them that with everything happening in the economy, you need to have a personal financial plan. No matter what situations life throws your way, a financial plan will help you manage situations that arise, make better choices, and achieve your financial goals. It’s never too early to start forming your own unique financial plan to accomplish your dreams and goals. Start getting your personal finances in order, Biz Kid!



# INVESTMENT PLAN

## WORKSHEET FOR STUDENTS

### Biz Terms

- Bonds
- Diversification
- Dividends
- Inflation
- Interest
- Investments
- Mutual fund
- Portfolio
- Risk tolerance
- Stock
- Taxes
- Windfall

### Episode Review

1. Earnings from corporate stocks are called \_\_\_\_\_.
2. A \_\_\_\_\_ is an investment tool that pools money and invests in a diversified portfolio.
3. Government fees on business and individual income are \_\_\_\_\_.
4. A \_\_\_\_\_ is an investment that represents shares of ownership in a corporation.
5. A \_\_\_\_\_ is a collection of securities that an individual investor owns.
6. A strategy for reducing risk by putting money into several types of investments is called \_\_\_\_\_.
7. You should have a personal financial plan so if you receive an unexpected \_\_\_\_\_ you will manage it responsibly.



# INVESTMENT PLAN

## WORKSHEET FOR STUDENTS

A windfall can be any amount of money you receive, from \$20 in birthday money to a \$10,000 prize like Nick won for his invention. Regardless of the amount of a windfall, having a financial plan will help you use the money wisely. The temptation to spend unexpected money on something you want can be reduced by the goal of investing some of that money to make more money. The younger you are when you start investing, the more time you have to “grow” your money.

Listed below and on the following pages are six steps for creating an investment plan. Read the steps, gather your information, and then come back to fill in the blanks when you are more comfortable with your answers.

### ***1. What amount of money are you able to invest?***

This will vary from person to person, but it is important to know what the minimum requirements are for investing in different choices. For example, a stock may be purchased online in any dollar amount for a small fee of \$4, but a stock has more risk than a Certificate of Deposit at your bank or credit union, which may require a minimum of \$500. For each of the five investment choices, you will answer the same questions, which appear on the next page.

*My Investment Amount:* \$ \_\_\_\_\_

### **Extra Credit:**

Ionnie McNeill is an amazing BizKid. She started investing at age 7, and now she has finished college and has her own company that specializes in public speaking and youth investing. One of the books that Ionnie recommends for young investors is “In Search of the Green: How to form your own Investment Club when you don’t know from beans” by authors Mary Ellen Pryor and Patricia Edwards. Find a copy of this book at your local library or bookstore, and write a book report about it to share with the class.

### **MY CHOICES:**

#### **A. Savings**

Check with your local credit union or bank to find out what rate they offer on a savings account. Savings accounts are very low risk, but may also have a lower rate of return. These are good for low risk investors. A savings account is when you are loaning your money to a credit union or bank to hold onto or to loan to other people, and in return for the amount they hold they give you back a little more money, called interest. Nick invested most of his money in a high-yield savings account.

#### **B. Bonds and Bond Funds**

Bonds are usually less risky than stocks, but with less potential for growth over the long term. These are good for low or medium risk investors. If you buy a bond, you are loaning your money for a specific amount of time to the organization that issues the bond. In return, they will pay back the amount you loaned them plus a little more. The date that the loan is paid back to you is called the date of maturity. You can buy bonds directly from the US federal government at <http://www.treasurydirect.gov>. Candace invested in Bonds.



# INVESTMENT PLAN

## WORKSHEET FOR STUDENTS

### C. Stocks and Stock Funds

Stocks offer high potential for reward, but have highest risk; more appropriate for long-term investors who are comfortable with higher risk. When you buy stock you are investing in the company that you buy the stock from. You are called a stockholder or shareholder when you buy stock in a company. Some companies pay dividends, a portion of the company profits, to their shareholders, but not all companies do this. See activity #2 for more information about stock dividends. Layla invested in Stocks. You can buy stocks directly from some companies with no trade fee, or use an online stock broker with fees as low as \$4 per purchase.

### D. Certificate of Deposit (CD) or Money Market Account

CD and Money Market Accounts have a low risk, and are usually available from your local credit union or bank. Ask them about their rates and minimum balance requirements. Usually, they pay a better interest rate than a savings account, but you have to keep your money there and not touch it for a specific amount of time to earn that higher interest rate.

### E. Other

Are there other investment options that you would like to consider? If so, learn about them and find out what their level of risk is. Brandon and Jordan invested in Mutual Funds. David invested in a Roth IRA.

	A Savings	B Bonds	C Stocks	D CD/Money Market	E Other
Are There Any Fees Involved?					
Is There a Minimum Amount Required?					
What is the Interest Rate That You Will Earn?					
How Long Will It Take To Earn That Interest?					
Do You Have to Leave Your Money Alone Until a Certain Date, and What is That Date?					
Is the Money You Invest Insured?					
What is the Tax Rate on Your Earnings?					



# INVESTMENT PLAN

## WORKSHEET FOR STUDENTS

### 2. Consider your time and when you will need to use the money.

Is your best choice short-term investments (1 year or less), long-term investments (more than one year), or a combination of both? What are you saving the money for? When will you need to use it? Your goals go hand in hand with risk and reward.

I Am Saving The Money For: \_\_\_\_\_.

I Will Need The Money On This Date: \_\_\_\_\_.

So I Will Invest:  Short-Term  Long-Term  Both

### 3. Determine your level of risk tolerance.

If you are not comfortable with risk, do not invest in high risk items. Generally, if you are close in time to when you need to use the money, you would choose less risk but if you can wait a long time, you may be able to take more risks. When you make an investment you risk the possibility that the value of your money will go down or will not keep pace with inflation. Higher risk might also result in faster growth of your investment, but that is not guaranteed.

I Am Comfortable With The Following Level Of Risk:

Low Risk  Medium Risk  High Risk

### 4. Select specific investments that will help you reach your goals.

Keep in mind that over time, money gradually loses some buying power due to inflation. Over the past 50 years, the inflation rate has averaged about 4% each year.

I Am Going To Invest \$ \_\_\_\_\_ Into \_\_\_\_\_.

I Expect To Earn \$ \_\_\_\_\_ From This Investment By \_\_\_\_\_.

The Amount I Will Earn Is \_\_\_\_\_ % of My Original Investment.

Will This Amount Be More Than 4%? Yes or No? \_\_\_\_\_

If the amount you plan to earn is more than 4%, chances are good that you will do better than inflation.

### 5. At regular intervals, such as once every month, evaluate your investment performance.

Compare your actual earnings to what you expected to earn. Are these investments still meeting your needs?

After One Month, I Have Earned \$ \_\_\_\_\_. Is This What I Expected? Am I On Track To Reach My Investment Goals?

\_\_\_\_\_.

### 6. Adjust your investments as your needs change or as their performance changes to ensure that you are on track to meet your goals.



# CURRICULUM CONNECTIONS

## Language Arts

- Have students construct sentences; write a paragraph; or create a story, skit, or dialog using *Biz Terms*.
- Have students create a class dictionary of financial terms.
- Have students start their own journal of personal financial education and continue to add to it.

## History/Social Studies

- Investigate financial careers in investing. Specifically, what does a stock broker do? A banker? A loan officer? A financial advisor? What credentials do they need in order to do their job?

## Mathematics

- What is the rule of 72? How much money do you need to invest today, to have \$1 million dollars by the time you are 65 years old?

## Economics

- Economics is the study of the production, distribution, and consumption of goods and services. What financial services are provided by your local credit union? By your local bank? By your local stock broker? Are there other financial services businesses in your community? What fees are associated with any of these services?

## Optional Vocabulary Extensions

### Make Art!

Ask students to create personal illustrated glossaries using sketches or cartoons to visually represent the meaning of each *Biz Term*.

### Make It Personal!

Provide students with dictionaries and ask students to re-write formal definitions for each *Biz Term* in their own words to demonstrate comprehension.



Activity #2:

# RESEARCH STOCK DIVIDENDS

## Activity Learning Objectives

- Research stock dividends.
- Identify current low-risk dividend-paying stocks.

## Episode Details

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## Supplies Needed

Computers, access to Internet, and printers.

## DIRECTIONS FOR STUDENTS

If you buy stock in a company, like Layla did, you are a shareholder of that company. Some of the value of a stock is in the price of the stock itself. If the stock price goes up after you buy your shares, then you have made money. If the stock price falls below what you paid for it, you could lose money if you sell the stock for less than what you paid for it.

But some stocks pay dividends, which create new wealth for shareholders by paying a portion of the company profits directly to the shareholders who have invested in their company by buying stock.

At the computer, connect to the internet and go to <http://www.bigsafedividends.com>.

Create a free account with your name and email address. You do not have to receive the newsletter or other information unless you want to.

Once you have logged in, click on “BSD Scores” and select “What are BSD scores?” You are going to learn what makes a particular dividend paying stock a less risky choice than other dividend paying stocks.

The BSD formula was developed by a Chartered Financial Analyst (CFA) named Charles Carlson. He used his experience and knowledge of the stock market to write a book about dividends. The BSD Score is based on ten different measurements of the company’s finances. The most important measurement used in calculating the BSD score is called “Payout Ratio,” but there are also nine other factors which are combined to create a BSD score. The best BSD Score is 100, which means that stock has a good dividend with little risk. The lowest score is zero, which means that stock has the most risk.

Risks can change over time based on the global economy and other things that happen at companies and in the marketplace.



# RESEARCH STOCK DIVIDENDS

## DIRECTIONS FOR STUDENTS

From the “BSD Scores” menu, click on “Get BSD Scores.” A table is displayed. Click on the column title for “BSD Rank” and the zero scores will come to the top of the list. Now click “BSD Rank” once more, and the 100 scores will come to the top of the list.

1. How many companies have a score of ‘100’ in BSD Rank?
2. What are the stock ticker symbols for these companies?
3. Have you ever heard of these companies before?
4. What is the business of these top companies with scores of ‘100’? Do they sell clothes, manufacture electronics, or do something else? Use the internet to look up the company stock ticker symbol if you do not know what the company is about.

Notice the column to the right, where the “Dividend Payment Date” is listed. Different companies have different schedules to pay dividends. Some pay two times a year, and some pay four times a year. It is possible to buy stocks on different schedules so that you receive dividends every month of the year. For example, if Stock in Company A pays dividends in January, April, July, and October and stock in Company B pays dividends in February, May, August, and November, then you have half of the year covered.

5. List four different stocks that have a BSD score of 80 or more and a Quadrix score (also listed in the BSD table) of 75 or more that you could buy and receive dividends each month of the year.

## Extra Credit

Pretend that you have bought one share of each of the four stocks you selected for question #5. Track their dividend payments during the year. Did they pay as expected? How much did they pay per share? Was the BSD information helpful in selecting stocks that have a good return on investment?



# BIZ TERMS DEFINITIONS

- *Bonds*: A formal agreement where you lend money to a borrower for a set period of time in exchange for being paid back later along with a specific amount of interest.
- *Diversification*: A strategy for reducing investment risk by putting money in several different types of investments.
- *Dividends*: Earnings from corporate stock or credit union share accounts.
- *Inflation*: An overall rise in the price of goods and services.
- *Interest*: The cost of borrowing money or earnings from lending money.
- *Investments*: Securities such as stocks, bonds, and mutual funds with the potential of increasing wealth over time, but with the risk of loss.
- *Mutual fund*: An investment tool that pools the money of many shareholders and invests it in a diversified portfolio of securities, such as stocks, bonds, and money market assets.
- *Portfolio*: A collection of securities – such as stocks, bonds, mutual funds, and real estate – that an individual investor owns.
- *Risk tolerance*: Your feelings regarding the probability that loss will occur with an investment.
- *Stock*: An investment that represents shares of ownership of the assets and earnings of a corporation.
- *Taxes*: Government fees on business and individual income, activities, or products.
- *Windfall*: When you receive an unexpected amount of money.



# FAMILY ACTIVITY SHEET

## Episode Synopsis

Congratulations — you have a windfall! Now what? Take a look at some investment alternatives and how to evaluate them based on time, risk, and rate of return. Meet several young entrepreneurs who were faced with a financial opportunity and see where they decided to invest their money.

## Activity Suggestions

Studies have shown that one of the biggest factors contributing to financial success is having a personal financial plan. One aspect of a financial plan is investing. Have a discussion with your family about investing. The following questions might facilitate the discussion.

- As a family, discuss your financial goals.
- What level of risk are you willing to accept?
- Do you have a timeline for reaching your goals?
- Which investment options are you most comfortable with?
- Are you aware of the risks of investing abroad?
- As an investor, you need to be concerned with the effects of taxes. You may want to invest in assets with the highest after-tax return.
- The earlier in life students begin a personal financial plan, the more likely they are to achieve financial success. Have periodic family meetings to review and update financial goals, reevaluate timelines, and make adjustments. Celebrate each success!



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