

Researching Investments and IRAs

Notes:

Learner Outcomes

Outcome #1: Participants will be able to identify what an IRA is.

Outcome #2: Participants will be able to list two different types of IRAs.

Outcome #3: Participants will be able to identify at least one source of investment information.

Target Audience

Teenagers

Materials

1. Flip chart and markers or a dry-erase board and dry-erase markers
2. Name tags (downloaded for free from the Bank It website), one for each participant
3. A pen or pencil for each participant
4. Something to track time
5. Evaluation #3-IN-T for each participant
6. Bank It Notes #3-IN-T for each participant
7. Optional: PowerPoint Presentation PDF #3-IN-T
8. Optional: Handout 1 #3-IN-T for each participant
9. Optional: Handout 1 Answer Key #3-IN-T for the trainer
10. Optional: Handout 2 #3-IN-T for each participant
11. Optional: Handout 2 Answer Key #3-IN-T for the trainer

Timing

1 hour

Want more background and training tips?

See the free, downloadable Bank It Leader's Guide at www.bankit.com.

Researching Investments and IRAs

Notes:

1. Welcome and Overview (5 minutes)

Arrive early. Highly consider using the optional PowerPoint Presentation PDF and the optional Handout. Both will greatly enhance your sessions. If you're using the PowerPoint Presentation PDF, show the "Welcome to Bank It" slide as participants enter the room. Greet each participant individually and learn their names as they arrive. Have them create a name tag with their first name only.

Give participants a copy of the Bank It Notes #3-IN-T and either a pen or pencil. Have them sit in clusters of about four people. If possible, have them sit at tables. Then welcome the whole group to the session.

Say: Welcome to Bank It. Bank It delivers real-world financial topics and tools for teens and parents that make it easier to understand, talk about, and manage your money. Bank It was developed by Capital One and Search Institute. I'm glad each one of you is here.

Today we will focus on researching investments and IRAs, and we plan on meeting three goals. One: By the end of this session, you will be able to identify what an Individual Retirement Account or IRA is. Two: You will be able to list two different types of IRAs. Three: You will be able to identify at least one source of investment information.

Feel free to use your Bank It Notes to write what you learn as we go along. At the end of the session, we will take time to complete a short evaluation. (If this session is not the first session you're presenting to this group, consider briefly discussing the optional challenge that you may have given participants at the end of your previous session.)

2. Activity: What Do You Think? (15 minutes)

Say that you're going to do an activity. Have participants practice two gestures: placing their hand on top of their head when they say "yes" to a statement or placing their hand under their chin when they say "no" to the statement you're giving.

Once participants are ready, ask: *Do you know of anyone saving for retirement?* (Give participants time to respond. If you wish, have participants notice how others have responded.)

Researching Investments and IRAs

Notes:

Then say other statements such as these, one at a time, pausing to give participants time to respond: *Are your parents saving for retirement? Do you think it's important for adults to save for retirement? Do you think it's easy for adults to save for retirement?*

Are you familiar with what an IRA is? Has anyone ever talked to you before about saving for retirement? End the activity by discussing it.

After you finish the discussion, say: *Saving for retirement is an investment strategy for the long term. Saving for retirement is important because it means you can retire and live comfortably. You don't have to work until the day you die if you plan well.*

Most people who save for retirement do so with an IRA. An IRA is an Individual Retirement Account. On a flip chart, write the four main types of IRAs: Traditional IRA, Roth IRA, SEP IRA, and Simple IRA.

A traditional IRA lets you deposit up to \$2,000 a year and get a tax deduction if you qualify. This is a type of IRA you can open by yourself.

A Roth IRA is another IRA you can open by yourself. You do not get a tax deduction for deposits to this type of IRA. But some people like this IRA because earnings accumulate tax-free.

The other two IRAs, the SEP and the Simple IRAs, are ones you have to open up through an employer.

What affects the value of an IRA? The same three things that affect the value of a stock. 1. How well the company that runs the IRA is doing business-wise. In other words, if the business is making money the value of the IRA is higher. 2. The demand for the IRA. If a lot of people want to own the IRA, the price will go up. 3. The overall economy. The better the economy, the higher the price.

Even though you are still teenagers, it's important to know about saving for retirement. Why? Because the sooner you start saving for retirement, the more money you will have when you are older.

If you plan to distribute the optional handout 1, use it at this time. Have the handout 1 answer key available for any questions.

Researching Investments and IRAs

Notes:

3. Present: Learning about Investments (15 minutes)

Say: Whether you're interested in an IRA, a stock, a bond, or some other type of investment, it's important to know how to get information about investments and how to buy and sell them. With the Internet, you can find all kinds of information, but you need to be careful.

When it comes to investments—and for any money advice—you want to get good, high-quality information. You want to protect yourself from scams. A scam is a tricky way for someone or some organization to get you to pay money for something that doesn't exist.

This can happen with investments—and with anything you're interested in buying. That's why you want to find good information, not just any information. On a flip chart, write: "Investment Rating Information." Under that heading, write: "Morningstar" and "Value Line."

Say: These are two high-quality information sources about companies, whether you're buying an IRA or a stock. Usually this information can cost a lot of money, but if you visit your local library and have a library card, a research librarian can help you access this information for free.

A library card usually is free or is available for a small fee, such as for \$1 to \$2. This is a good investment because it will give you lots of access to great financial information and to other sources in your library. Both Morningstar and Value Line give ratings and analysis about stocks, mutual funds, and other securities.

A lot of adults do their own research and make their own decisions about investments by using one or both of these sources. On a flip chart write: "Financial newspapers."

Say: Some people enjoy reading about investments and money matters through reputable newspapers. Two high-quality newspapers are The Wall Street Journal and Barron's. They have Web sites as well. On a flip chart, write a third source of information: "Financial Web sites."

Say: Two helpful Web sites about investments are www.marketwatch.com, run by The Wall Street Journal, and <http://investinginbonds.com>, run by the Securities Industry and Financial Market Association.

Researching Investments and IRAs

Notes:

On a flip chart, write a fourth source of information: "Prospectus." Say: *A prospectus is a company's legal document that describes the investments they offer. Every public traded company, which sells stock to the public, is required to publish a prospectus.*

The Internet has made it easy to get a free prospectus from any public company that you're interested in. This is a good source of information, although you do need to realize that the company will want you to buy their investments, so each company's prospectus sounds great.

That's why it's important to use Morningstar or Value Line to compare companies and then to use the company's prospectus for information about investing in them. Are there any questions about gathering helpful information about investments? (Give participants time to ask their questions.)

Then say: *Once you know which investments you're interested in, how do you buy and sell them as an adult? On a flip chart, write the three major ways to buy and sell investments: 1. Full-service broker. 2. Discount broker. 3. Yourself. Say: Each of these ways has pros and cons.*

One is not better than the other. It all depends on what you're looking for. With the first two ways you will need to pay someone to help you buy and sell investments. Brokers can provide helpful information, but they also earn money doing what they do. It's like finding a good mechanic or a good hair stylist.

When you find one, you want to pay for their expertise. At the same time, we all know that there are people out there who are more interested in helping themselves than helping others. So it's important to find a reputable broker. A full-service broker will charge more than a discount broker. That's because you will be provided with more assistance.

Buying investments yourself works well if you know what you're doing and you feel comfortable with what you're doing. You can often buy mutual funds, IRAs, and certain stocks directly from the company that you might be interested in. But that's why it's important to get good information and to take the time to learn what you want to know before you start investing.

If you plan to distribute the optional handout 2, use it at this time. Have the handout 2 answer key available for any questions.

Researching Investments and IRAs

Notes:

4. Discuss (10 minutes)

Say: *Take some time to talk to the people near you. Talk to about two or three people. I want you to do two things: 1. Say your first name. 2. Say how people in your family are saving for retirement. Start with the person who took out the garbage at home most recently. Then have each person take a turn.*

5. Review and Evaluate (10 minutes)

Review what was accomplished during this session. Ask: *What is an IRA?* (Answer: An Individual Retirement Account. It's an investment that helps you save for retirement.)

Ask: *What are different types of IRAs?* (Answer: 1. Traditional IRA. 2. Roth IRA. 3. SEP IRA. 4. Simple IRA.)

Ask: *What IRAs can you buy yourself?* (Answer: A traditional IRA or a Roth IRA.)

Ask: *Which IRAs do you have to get through your employer?* (Answer: SEP IRA and Simple IRA.)

Ask: *What affects the value of an IRA?* (Answers: 1. How well the company that runs the IRA is doing business-wise. 2. The demand for the IRA. 3. The overall economy.)

Ask: *What are good sources of investment information?* (Answers: Investment Rating Information. Financial newspapers. Financial Web sites. Company prospectus.)

Ask: *How can you buy and sell investments?* (Answer: 1. Full-service broker. 2. Discount broker. 3. Yourself.)

Ask: *What is a prospectus?* (Answer: A prospectus is a company's legal document that describes the investments they offer.)

At the end of the review, distribute Evaluation #3-IN-T to each participant. Give participants time to fill out the evaluation. Collect all the evaluations after participants finish so you can find out the measurable outcomes for the session.

Researching Investments and IRAs

Notes:

6. Close (5 minutes)

Say: *Investing is about planning for our future. I'm going to ask you a few questions. I'll pause after each one. Think quietly about how you would answer each one. How are you planning for your future two years from now? (Pause.)*

How are you planning for your future five years from now? (Pause.) Ten years? (Pause.) Twenty years? (Pause.) For retirement? (Pause.) How can investing as an adult help you create the future you want?

Challenge participants to talk to family members about this topic, which is listed under the Talk about It section of their Bank It Notes. Thank participants for coming and for being involved.

Optional Activities

1. Distribute Handout 1 #3-IN-T: Interpreting the Dow Jones. Give participants the handout to complete. Afterward, discuss their answers. Use the Answer Key for Handout 1 #3-IN-T for the answers.

2. Distribute Handout 2 #3-IN-T: The What's What of Investment Terms. Give participants the handout to complete. Afterward, discuss their answers. Use the Answer Key for Handout 2 #3-IN-T for the answers.

3. Show the PowerPoint Presentation PDF #3-IN-T. Use the presentation to accompany the one-hour session.

4. Give Participants a Challenge. Encourage participants to use the next week to talk to their parents about the importance of investing for the future. (If you wish, follow up during your next session to find out how the challenge went.)

Questions? Looking for more ideas? Visit www.bankit.com for answers and more resources.

Researching Investments and IRAs

Notes:

For More Information

- *National Standards in K–12 Personal Finance Education* (Washington, D.C., Jump\$tart Coalition for Personal Financial Literacy, 2007), standard 4 in the area of Saving and Investing.
- *National Standards in K–12 Personal Finance Education* (Washington, D.C., Jump\$tart Coalition for Personal Financial Literacy, 2007), standard 5 in the area of Saving and Investing.
- *An Asset Builder’s Guide to Youth and Money* by Jolene Roehlkepartain (Minneapolis: Search Institute, 1999).