

## *Student Sheet*

# HOW TO START INVESTING

Financial education at school:  
An AMF activity for teachers.



## INTRODUCTORY ACTIVITY



*Jade is in Secondary V and thinks she's too young to start investing. She may not be alone. Here's a real-life example to help you answer this question: **How old should you be to start investing?***

### Warren Buffett

Born in 1930, Warren Buffett is considered by many to be the greatest investor of all time. He delivered newspapers as a young boy and did odd jobs to save money. He bought his first shares while he was still in school. He watched them drop and quickly sold them as soon as they went up, earning a small profit. He had just made his first trading mistake. The price of the shares later jumped 500%! What's important is that Warren Buffett learned from his mistake. He read several books about investing and stopped worrying when the price of the shares he bought fluctuated.

When he was around 15 years old, he invested \$1,200 of his savings in 40 acres of land rented to farmers. At age 27, he bought his first house. You may think there's nothing surprising about buying a house at that age but he had enough money to buy four, and to pay cash for them all! In 1961, at age 31, he was a millionaire. By the time he was 37, he had over \$10 million and two years later he had over \$25 million. In 2014, he was worth over \$70 billion.

### Questions for discussion

*How did Warren Buffett find money to invest?*

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*How did Warren Buffett become a billionaire?*

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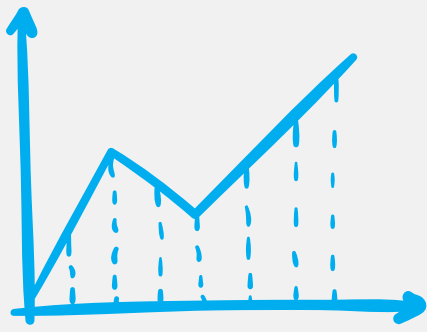
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*What can I do to find money to save or invest?*

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## NOTIONS ABOUT INVESTING

### 1. Definitions

Write down the definitions of **return**, **liquidity** and **risk** as discussed in class.

**Return**

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**Liquidity**

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**Risk**

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### 2. Calculating return

Using the example given in class, calculate the return on a \$1,000 investment over 4 years in a Québec fixed-rate bond.

QUÉBEC FIXED-RATE BONDS										
TERM	1 yr	2 yrs	3 yrs	4 yrs	5 yrs	6 yrs	7 yrs	8 yrs	9 yrs	10 yrs
ANNUAL RATE (%)	3.75	3.80	3.85	3.90	3.95	4.00	4.05	4.10	4.15	4.20

YEAR 1: \_\_\_\_\_

YEAR 2: \_\_\_\_\_

YEAR 3: \_\_\_\_\_

YEAR 4: \_\_\_\_\_





## WORKSHOP (OPTIONAL)

### CHOOSE YOUR INVESTMENT OR YOUR ASSET

Here are some popular financial products and an indication of the degree of risk, the return and the liquidity level associated with them.

Investment	Definition	Relative return	Relative risk	Relative liquidity
<u>Cryptoassets</u>	Digital assets that use cryptography (a method of securing data), a peer-to-peer network and a digital ledger system to record transactions.	Unknown  You could lose everything.	!	It can be difficult to trade a cryptoasset for money such as the Canadian dollar.
Stocks (shares)	Shares in a company. Holding shares makes you a part owner of the company	High		Can generally be sold again easily
Bonds	Loan to a company or a government	Medium		May be more difficult to sell depending on the interest rate or financial condition of the company or government that issued the bond
Mutual funds	A basket of shares, bonds or other securities in which several investors have pooled their money	Medium		Can generally be sold any time for a fee
Exchange-traded funds	A basket of shares that tracks a market index	Medium		Can be sold easily
Québec fixed-rate bonds	Loan to the Québec government	Low		You have to wait until the bond expires to recover your investment and receive the return
Fixed-rate guaranteed investment certificates	Loan to a financial institution	Low		You generally have to wait until a GIC matures to recover your investment and receive the return

ACTIVITY:  
FIND YOUR OWN  
INVESTMENTS OR ASSETS!



On the Internet, find an example for each of the following investments, other than those identified above. Find your examples from different institutions or organizations for each investment.

	Type of investment /asset	Institution or organization that issues the investment /asset
Bond	Québec fixed-rate bond	Épargne Placements Québec
Now it's your turn		
Cryptoassets		
Stock		
Bond		
Mutual fund		
Exchange traded fund		