Case Study Lesson Plan

Case Study Objectives
- ➢ Define the stock market;
- ➢ Apply knowledge of diversification to the comparison of stocks and mutual funds.

Jump$tart Standards Alignment click here

Materials
- ➢ Class set of The Stock Market case study
- ➢ Computer and display capabilities to view the stock market video
- ➢ CHALLENGE: class set of Challenge: The Stock Market (two-sided)

Key Terms
- ➢ Invest
- ➢ Investor
- ➢ Reward
- ➢ Risk
- ➢ Stock Market
- ➢ Stock/Share
- ➢ Mutual Fund

CASE STUDY (40 MIN)

- **Situation/Case Study**: (15 min) Activate student knowledge by reading over the *Investing Terms to Know* in the The Stock Market case study and asking, *"What are some different types of investments that you have learned about? What makes investing risky?"* Today you are going to be an investor using two different types of investment vehicles: stocks and mutual funds. Read and watch the rest of The Stock Market case study.

- **Questions**: (5 min) Have students answer the case study questions and, as time permits, begin the challenge.

- **Challenge (can include Presentation & Share):** (15 min) Have students read about the three stocks and the mutual fund in the Challenge: The Stock Market. Then have students choose ONE investment: any of the three stocks or the mutual fund. On the next page, have students track the simulated stock market, analyze the graph and calculate the change between the buying price and selling price of each stock along with the mutual fund. Have them determine if they would lose or gain money by selling at the price listed. Then have them answer the reflection questions at the bottom of the page.

- **Reflection (Closing/Synthesis/Feedback)**: (5 min) Ask students, *"From what you learned today, what is one way to invest to lower your risk? When do the benefits outweigh the risks?"*

Assessment
- ➢ Evaluate accuracy and completeness of student answers to the questions and challenge using the Teacher Answer Key

Extensions/Connections
- ➢ Use the Build Your Stax game as an interactive way for students to simulate investing. (More information can be found here.)
- ➢ Have your students play the Stock Market Game in groups or individually (this is a semester/year long simulation)
- ➢ Share the Family Conversation Guide for this lesson

The Stock Market

THE STOCK MARKET, STOCKS, AND MUTUAL FUNDS

Watch this video to learn about the stock market and stocks/shares.

A stock market is a place where stocks are bought and sold. Investors access the stock market through a brokerage account which can be managed online or through a stock broker (a person who buys and sells stocks as a job). One way to make money from stocks is to buy when the stock price is low and sell at a higher price. Stock prices change often (sometimes by the second!) and it is hard to predict if a stock is going to go up or down. Sometimes a stock will drop FAST and some people panic and sell their shares quickly for a lower price than they bought them, and they lose money. This is called panic selling. Sometimes a stock is doing REALLY well and people want to get in on the trend! They try to buy the stock as it rises to higher prices, only for the price to fall (again losing money). This is called exuberant buying.

What affects a stock price?

Many things can affect a stock's price. Stock prices can change when companies share some unexpected news, a natural disaster scares investors, or a new law passes that may affect the company. There are many other reasons too. Even the experts can't predict everything that will influence a stock price. Typically, the best way to earn money from stocks is to invest early and stay invested for a long period of time. Trying to time the market by selling and buying often usually doesn't work since stock prices can be unpredictable.

A mutual fund combines money from many investors to buy different types of investments such as stocks, bonds, and money markets. Investors can buy into a mutual fund through a mutual fund company or a broker (a person whose job is to buy and sell investments). Investing in mutual funds is less risky than individual stocks, because your money is spread across many different stocks and possibly other investments too. This is known as **diversification**. A mutual fund is still risky, however, due to the volatility (unpredictable ups and downs) of stocks.

Optional: Go to https://finance.yahoo.com/ to watch stocks change price real time.

QUESTIONS:

1. What is the stock market?
2. How do you buy and sell stocks or mutual funds? How often does the price of a stock change?
3. What does it mean to "buy low, sell high," and how "easy" is it to follow this advice?
4. Why do some people end up buying when stock prices are rising and selling when stock prices are dropping?
5. How is an individual stock different from a mutual fund?

CHALLENGE:

Go to the Challenge: The Stock Market. Choose your investment and then answer the questions on the following page.

Challenge: The Stock Market

STOCKS

You can buy stocks (shares) of the publicly traded companies below. Read about each company. The "symbol" underneath is what represents that company on the stock market. (note: While the following are real companies, details about each company and their stocks have been made up for purposes of this case study.)

Yum! Brands, Inc.: Yum! owns the brands Taco Bell, KFC, Pizza Hut, and WingStreet. The stock has been growing steadily all year and experts report that the company is doing well and stock gains should continue.

- ➢ Symbol: YUM

Target: **Target Corporation** is the eighth-largest department store retailer in the United States. It sells clothes, home goods, and has a strong online presence. This stock has also been steadily rising throughout the year with a high during the holiday season.

- ➢ Symbol: TGT

Disney: The **Walt Disney Corporation** runs theme parks and sells merchandise based on their popular movies. Disney has also been growing steadily throughout the year and is planning to release a new movie later this year.

- ➢ Symbol: DIS

MUTUAL FUND

The mutual fund that you can invest in is managed by a professional stock picker. The fund includes the three stocks above and 17 more stocks for a total of 20 stocks.

TIME TO INVEST

You can choose to invest money in ONE of the stocks above OR the mutual fund. Make your choice now, and write one sentence or bullet point predicting how your stock/mutual fund will perform.

MY PREDICTION:

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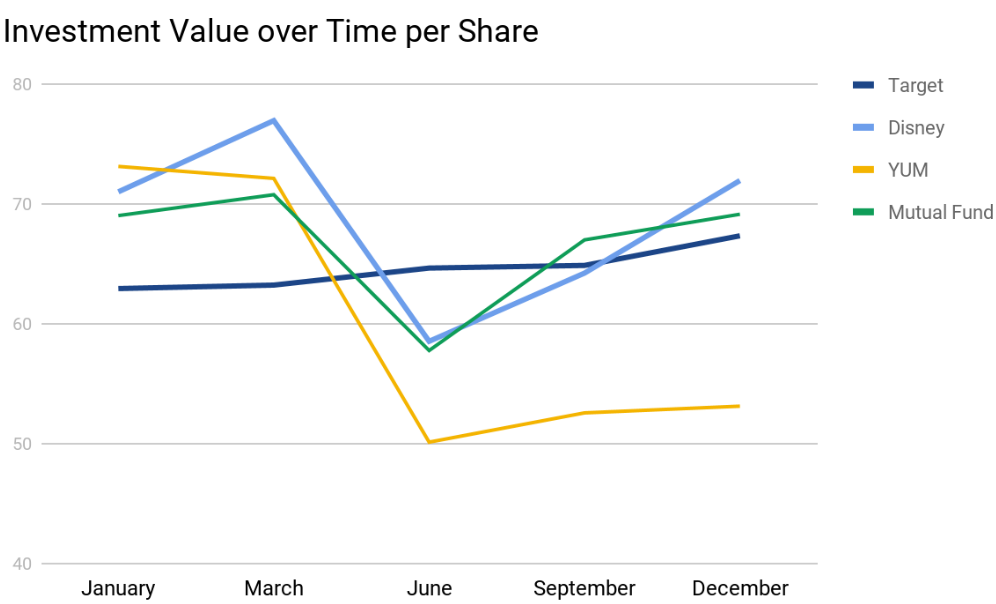
Challenge: The Stock Market

Track Your Investment

	Stock 1: Target	Stock 2: Disney	Stock 3: YUM	Mutual Fund
What is the price per share when you buy?	TGT 62.94	DIS 71.01	YUM 73.13	69.03
What is the price per share when you sell?	TGT 67.34	DIS 71.95	YUM 53.13	71.14
Difference in prices				
When you sell your shares, would you make or lose money?				



- Target met their holiday sales goals and actually did better than expected over the year.
- The new Disney movie was a HIT, but the amusement park had less than average summer sales due to some hurricane warnings.
- YUM! Brands meat was recalled, because people got sick after eating it. The price dropped as a result.
- Your mutual fund manager saw that YUM! Was dropping so she sold the stock before it dropped too far and invested in a different stock.

Answer the following questions:

Did your predictions go as you planned? Did you make or lose money with the stock/mutual fund that you invested in?

If you were to invest again, how would you invest and why?

Answer Key: Investing in the Stock Market

Play the Market Case Study Questions

1. What is the stock market?
   The stock market is a place where stocks are bought and sold.

2. How do you buy and sell stocks or mutual funds? How often does the price of a stock change?
   Investors access the stock market through a brokerage account which can be managed online or through a stock broker (a person who buys and sells stocks). The price of a stock changes frequently, sometimes every minute or second.

3. What does it mean to "buy low, sell high," and how "easy" is it to follow this advice?
   "Buy low, sell high" means that you want to buy the stock at a lower price than when you sell it. This is not easy advice to follow, because so many things affect stock prices so it is hard to tell when a price is "high" or "low."

4. Why do some people end up buying when stock prices are rising and selling when stock prices are dropping?
   Some people end up buying stock when the price is rising, because they think the price will continue to increase and want to be a part of the trend. Sometimes, people sell when a stock price is low (or dropping), because they panic that they will lose their money.

5. How is an individual stock different from a mutual fund?
   An individual stock represents a share in ONE company while a mutual fund may be made up of many different types of investments such as stocks, bonds and money markets.

Play the Market Case Study Challenge

	Stock 1: Target	**Stock 2: Disney**	**Stock 3: YUM**	**Mutual Fund**
Price per share when you buy the shares	TGT 62.94	DIS 71.01	YUM 73.13	69.03
Price per share when you sell the shares	TGT 67.34	DIS 71.95	YUM 53.13	71.14
Difference in prices	*+4.4*	*+.94*	*-20*	*+2.11*
When you sell your shares, would you make or lose money?	*make*	*make*	*lose*	*make*

Answer the following questions:

Did your predictions go as you planned? Did you make or lose money with the stocks/mutual fund that you invested in?
Answers will vary but most likely the investment did not go as "planned." Answers vary.

If you were to invest again, how would you invest and why?
Answers will vary, but look for students who decide to go from an individual stock to the mutual fund with the evidence that it is often better to take less risk (despite the lower return potential).
Also, question students if they would consider jumping from YUM to Target and help them draw the connection between this and panic selling and exuberant buying.

Key Terms

Diversification: spreading your investments across different investment types to reduce risk.

Invest: to put your money (or time) into something with the expectation that you will make a profit.

Investment vehicle: a product where investors put their money with the goal of making more money.

Investor: a person who invests.

Mutual Fund: pools of money from multiple investors that is invested in multiple vehicles.

Reward: money gained from an investment.

Risk: the possibility that something unexpected may happen, causing an investor to lose money.

Stock Market: is a place where stocks are bought and sold.

Stock/Share: small ownership shares of a company that you can buy and sell on the stock market. A company's stock goes up and down depending on many different factors, if you buy when the stock price is low and sell when the stock price is high, then you make a profit. If you sell at a lower price than what you bought the stock for, you lose money. There is no way to predict when a stock price will rise or fall.