Te whai hua - kia ora!

sorted in Schools

US 28090 (version 4)

Future focus

Demonstrate knowledge of selected personal financial saving andi nvestment options that provide financial benefits

LEVEL 1

CREDITS 3

THEMES

Investing
KiwiSaver
Saving

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Nau mai haere mai!

Welcome to the Future Focus module.

This module supports you to develop your understanding of different investment options, including how to identify saving and investment options that a good match for a particular situation.

You will be assessed on how well you:

- identify THREE possible saving and investment options (one option must be KiwiSaver) that will provide future financial benefits
- explain saving and investment options in terms of risk, reward and length of time (one saving and two investment options)
- explain how the selected savings and investment options will provide future financial benefits
- draw conclusions about the benefits with supporting evidence that justifies the selection.

Evidence/Judgements for Achievement	Evidence/Judgements for Achievement with Merit	Evidence/Judgements for Achievement with Excellence
You need to: • identify and select KiwiSaver and TWO other saving and investment options that will provide future financial benefits • explain ONE saving and TWO investment options in terms of their risk, reward and length of time: - KiwiSaver - savings account - term deposits - bonds - shares - property - commodities - currency - derivatives - other alternatives - business ownership	As well as meeting the requirements for Achievement, you need to: • explain how the selected personal financial savings and investment option provides future financial benefits • draw conclusions about the benefits with supporting evidence.	As well as meeting the requirements for Merit, you need to: • explain in depth how the selected personal financial savings and investment option provides future financial benefits. • draw conclusions about the benefits with a range of supporting evidence that justifies the selection.

Potential links to NCEA Level 1 Unit and Achievement Standards

You may be able to use your knowledge, content, and modified work in this module and assessment task as evidence towards the following Achievement Standards:

- **US 26623** Use number to solve problems
- **AS 91026** Apply numeric reasoning in solving problems
- **AS 90840** Apply the marketing mix to a new or existing product.

Discuss with your teacher whether this is an option.

This module is about ways to save or invest your money so that it grows over time. Working through this module will help you to build the skills and knowledge you need to make wise money choices, both now and in the future.

In this module you will explore:

- **Topic One: Understanding investment** – inflation; compound interest
- **Topic Two: Saving and investment options** – savings accounts; term deposits; bonds; shares; property; KiwiSaver; commodities; currency; derivatives; other alternatives; business ownership
- **Topic Three: Risk, rewards, and timeframe of investments** – understanding risk; managing risk; returns; other rewards of investments
- **Topic Four: Comparing risk, rewards, and timeframe of investment options** – creating an investment comparison table for the assessment
- **Topic Five: Explaining and drawing conclusions about the future financial benefits of savings and investment options**

Resources

There are lots of useful resources for exploring saving and investing.

Sorted in Schools resources that have particular relevance to this module are:

- Investing infographic
- Investing PowerPoint
- Investing Sorted booklet
- KiwiSaver infographic
- KiwiSaver powerpoint
- KiwiSaver Sorted booklet.

You can find these resources on the **student activities** page of the Sorted in Schools website by clicking on Theme and selecting either **Investing** or **KiwiSaver** from the dropdown menu.

Be sure to watch the fun, informative video that accompanies this module

Future Focus video

Other useful tools and websites include:

- **Sorted.org.nz guide to saving and investing**
- **Sorted.org.nz Investor kickstarter tool**
- **Sorted.org.nz Smart Investor tool.**

The Sorted.org.nz website also provides information on specific investment options. Links to information on each investment option have been provided in Topic Four.

Topic One: Understanding investment

Learning Outcomes for Topic One

- ☑ Understand the importance of investing
- ☑ Understand compound interest.

Success criteria

You should complete all activities in this topic. They will help you to understand the purpose of investing and ways that it can provide people with financial benefits.

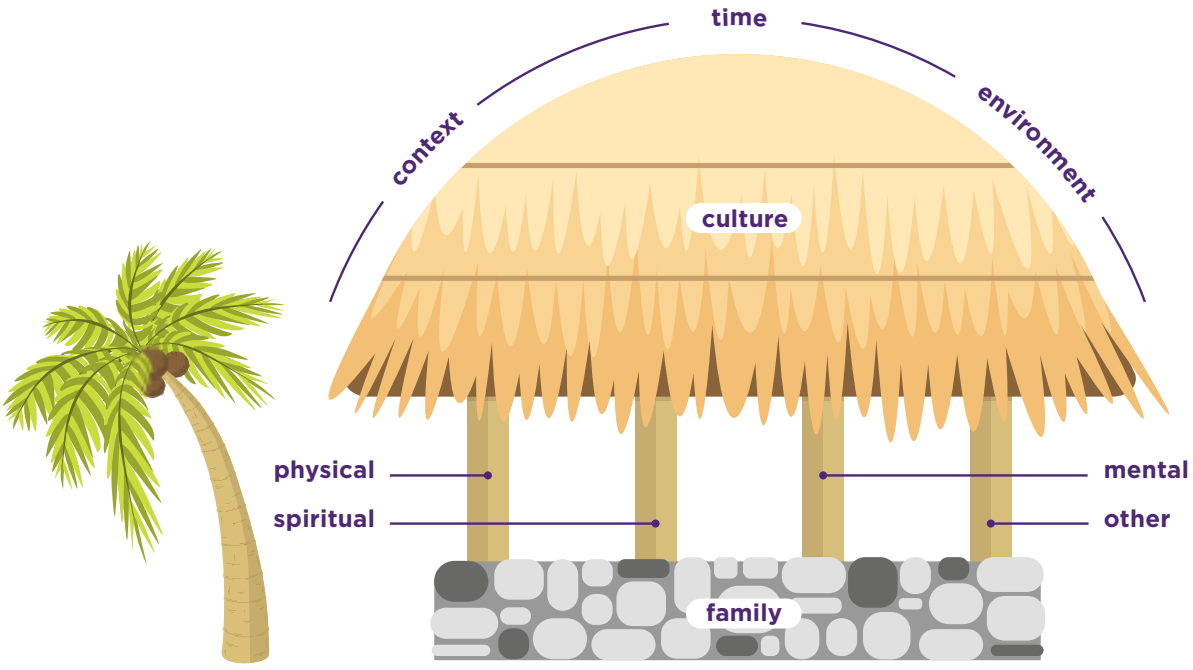
Investment is about making decisions that make things grow and develop.

There are different forms of investment. We can invest our time into relationships that we care about, whakawhanaungatanga; we can invest our energy into projects that improve the wellbeing of our environment, kaitiakitanga; we can invest our ideas in things that create new possibilities, auahatanga; and we can invest our aroha and resources into the wellbeing of others, manaakitanga.

The focus of this unit is on ways to invest our money so that it grows over time. The ways we invest, and our reasons for investing, are closely tied to our values, needs, goals, and beliefs. Take a moment to think about ways that people have invested in you and your hauora, your wellbeing.

Hauora includes your physical wellbeing, your mental and emotional wellbeing, your social wellbeing and your spiritual wellbeing. These investments may have come from people in your life now, from your tūpuna, or from people you aren't directly related to but whose actions and ideas have had an impact on your life. How and why did these people choose to invest their time, energy, ideas or money in ways that have benefited you?

Using the Fonofale diagram below as a guide (Fonofale is a Pacific model of wellbeing), what do you currently invest your time, energy, and resources in? What return do you get from these investments? How does investing in these areas benefit you, your whānau or your community?



Why is investing important?

Fashion, food, music, technology, ways to get around... nothing stays the same. Things we once prized sometimes lose their value while genuine taonga retain or even grow their value over time.

Reflect and share: An object can have high personal or cultural value without having a monetary value. What is something you or your whānau own that has retained its value over time? What is something that was once a prized possession that no longer holds much value to you?

People don't always think about money as something that loses its value because its value tends to change quite slowly. But have you ever watched a movie set in the past and seen items such as soft drinks for sale for only cost a few cents? If you'd been alive in 1975, a two-litre tub of ice cream would have cost about 85 cents – today you'll usually pay over $5.00.

When the poster to the right was made in the late 60s, a Moonraider ice cream only cost 4 cents!

Costs of things going up over time is called inflation. The good news is that wages and salaries tend to go up as well. For example, in 1975 the minimum wage for adults was less than $2 an hour!

Image from Tip-Top Fonterra archives

What does inflation have to do with investing?

Let's say you were given $100 in 1975. Back then, $100 could buy you about 120 2-litre tubs of ice cream. But if you kept that money in your sock drawer and pulled it out today, it would probably only buy about 16 tubs.

Buying less ice cream might not be a big deal, but if we think about the effect of inflation on a bigger scale, it would be pretty disappointing to put some money aside for a number of decades only to find that it wasn't worth much when you decided to spend it.

We can't control inflation but we can make decisions about investing that will help our money grow over time – hopefully in ways that make it grow at a faster ratethan inflation.

Understanding compound interest

Compound interest, which is interest paid on interest, is a way to supercharge your savings and investments. You earn compound interest when you don't spend the interest you earn on savings. Instead, you leave this income in your account to earn more interest. Compound interest is an easy way to make your money grow faster.

Watch **Making money work for you**, a video about compound interest, to discover what a big difference compound interest can make, especially if you start investing when you are young.

Activities

1) Read the **Investing powerpoint** slides from the **Sorted in Schools student activities** page. Identify four common investment options.

2) Read pages 2 and 3 of the **Investing Sorted Guide**. If you have a hardcopy of the guide, you may like to highlight any unfamiliar terms or concepts. If you're working electronically, consider recording the terms so that you can come back to them later.

a. Explain what a "return" is using your own words.

b. Identify two potential investment-related costs.

3) Explain the meaning of the following terms in your own words:

- investment

- capital gains

- diversification

- shares.

4) Reflect: What opportunities do you have to start investing now or in the near future?

Before moving on to Topic Two, check that you understand:

- ☑ why investing is important
- ☑ what inflation is
- ☑ how compound interest works.

Topic Two: Saving and investment options

Learning Outcome for Topic Two

- [x] Understand different saving and investment options

Success criteria

You should complete all activities in this topic. They will help you to meet the assessment requirements of explaining KiwiSaver and two other savings and investment options that can provide future financial benefit.

Imagine that you inherited $1000 but weren't allowed to use the money for another five years. What would you do with it?

Not many people would hide the money under their mattress or lock it in a box. The easiest option would be to put it in the bank, which would keep it safe, and you would also earn some interest. But is the bank the only option? Is there a way to make your money grow faster so that when you finally get to use it there is more of it there? In the next topic you'll explore ways to put your money to work so that it can grow in value over time.

In this topic, you'll learn about several investment options, including how long they are usually for. There are some big advantages to investing early on in life. You may or may not be in a position to do this right now, depending on whether you have a job and your other life circumstances, but when you do start earning money it's definitely worth exploring investment options. Your future self will thank you for it!

Assessment tip:

In your assessment, you need to describe four saving and investment options and one of them must be KiwiSaver. Your description needs to include information about the risk, rewards (benefits), and the timeframe of each option.

You'll be exploring risk, rewards and timeframes in Topics Three and Four of this module, but it's important to define these terms now so that you understand how they are used both in this module and in the assessment task.

Risk is the possibility that an investment might not be as good as you expected or even that it falls in value.

In your assessment, you'll be asked to write about the **rewards** of investment options. A positive return is one form of reward, but so are other benefits that come with a particular investment option, for example, being able to access your funds quickly if you need them.

Saving accounts

Putting money into a bank account is one way to invest. When you have money in a bank account, the bank usually gives you interest, a percentage of the amount in your account, to encourage you to leave your money in their bank. This is because banks can make money by lending your money out to other people and charging them interest.

Watch this short **video of dancer Josh Faleatua** talking about having a saving account.

Saving accounts are a low-risk way to invest your money and you can access your funds at any time. However, saving accounts also pay low returns, so they're not such a good option for long-term growth.

Term deposits

Term deposits are similar to saving accounts because they also pay interest. However, they usually offer a higher rate than most saving accounts. When you set up a term deposit with a bank, you agree not to withdraw any of the money for a fixed period of time, say 30 days or 5 years. If you take your money out before the agreed timeframe, you'll get a penalty such as earning a lower rate of interest. On the upside, a penalty can be a good incentive not to splash out and use these funds unless you really need them. A term deposit is a cash investment – you're not buying anything with your money, you're leaving it as cash.

Bonds

When we buy a bond, we're lending money to a government, council or company. In return they promise to pay us a certain interest rate. Bonds are different from term deposits in that we can sell them. We don't have to hold them till 'maturity' – the date we get our money back. However, the price we will get if we sell our bonds early can go up or down.

Shares

When you buy a share, you're buying a small part of a company – and a share in any profit the company makes. Shares can go up and down in value in the short term, but they often grow in value overall in the long term, so they are best suited to long-term investments.

Have a look at page 5 of the Investing Sorted booklet to see the difference that regular payments can make to the value of shares over time. (You can download this booklet from the **student activities page of the Sorted in Schools website**). Notice how the purple line goes up and down but the overall growth is much greater than the orange line.

Property

Anything you own is your property, but when people talk about property as a form of investment, they're usually talking about buildings. This might be a home that you want to live in or rent out, or a commercial building that you rent out to a business.

Buying your own home is one of the best investments you can make, even if it is a significant challenge to do so. Here are some tips that can help to make it happen:

- Start a KiwiSaver account when you are young so that you can build up a sum of money that you can use as a deposit. You'll be surprised at how quickly your KiwiSaver money can grow.
- Some people choose to buy a home with other people, pooling their resources and living together like flatmates

This Stuff article provides other examples of ways that young New Zealanders have managed to buy a home.

People make money out of properties in two ways:

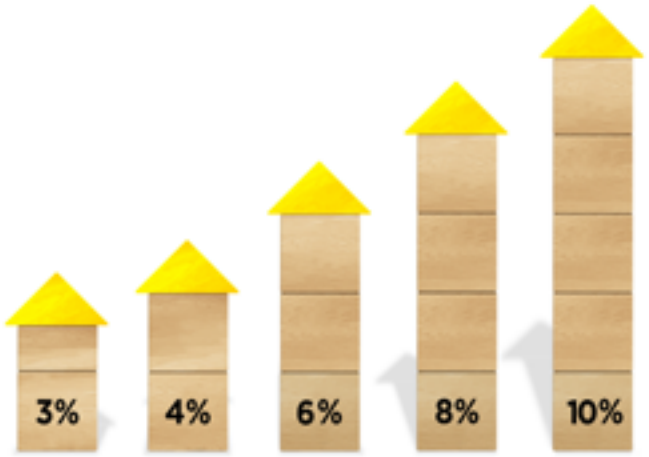
- Some people buy a property (or a number of properties) to rent out to other people. This gives them income from rent.
- The value of a property can go up over time (although this is not guaranteed), so you can make money on a property when you sell it. The difference between what you paid for a property and how much you sell it for is called capital gain.

KiwiSaver

KiwiSaver is a savings and investment scheme set up by the government to help people get ready for retirement. It's different to a pension, which is regular income from the government for everyone who is 65 or older. Instead, KiwiSaver is a voluntary investment scheme that any New Zealander can choose to join.

Investment experts invest the money that is in your KiwiSaver account so that it grows over time.

KiwiSaver funds are mainly for retirement, so although it's your money, you can't use it until you turn 65. An important exception is that you can use your funds to help buy your first home or in times of hardship. You can do this if you have been a KiwiSaver investor for at least three years.



KiwiSaver choices

There are a number of choices to be made when you join KiwiSaver. Your choices will reflect your needs, values and goals.

Level of investment: If you are an employee, you can choose how much of your pay goes into your KiwiSaver account. The options are 3.5%, 4%, 6%, 8%, and 10% of your pay. You can also make lump sum payments at any time. Your employer has to put in at least 3.5% of what you get paid as well – that's extra money that you don't get if you're not a KiwiSaver investor.

If you are a freelancer, gig worker, contractor, or work for yourself, then you can choose how much money you want to invest and have the option of making regular payments and/or paying lump sums.

KiwiSaver members who are 16 or over get a government contribution of $260. This is paid into KiwiSaver accounts annually.

Level of risk: When you join KiwiSaver, you can choose the level of risk you want to take. There are five different levels. For example, if you want a low level of risk, you might choose a "defensive" fund. If you want a higher level of risk, with potentially higher returns, you might prefer a "growth" or "aggressive" fund. If you're somewhere in-between, you might choose a "balanced" fund. You can read more about **KiwiSaver fund types and levels of risk** on the Sorted website.

Ethics: For some KiwiSaver investors it's important that the ways their money is being invested aligns with their values. For example, some KiwiSaver fund managers invest money in companies that make money out of selling land mines, weapons, tobacco or fossil fuels. "Socially responsible" KiwiSaver providers offer options that can filter out investments like these.

You can read more about **ethical KiwiSaver investments** on the Sorted.org.nz website.

Assessment tip:

In your assessment, you will be suggesting investment options that suit different scenarios. You have to recommend KiwiSaver for at least one scenario to pass.

Check out the **KiwiSaver infographic** on the Sorted in Schools website for an overview of how KiwiSaver works. You can find this by going to the **student activities page of the Sorted in Schools website** and selecting "Infographic" from the dropdown menu under Media, and "KiwiSaver" as the Theme.

Read pages 2 to 5 of the KiwiSaver Sorted booklet, which you can download from the **student activities page of the Sorted in Schools website**.

Commodities

A commodity market is a marketplace for buying, selling, and trading raw materials or primary products.

Commodities are often split into two broad categories: hard and soft commodities. Hard commodities include natural resources that must be mined or extracted—such as gold, rubber, and oil, whereas soft commodities are agricultural products or livestock—such as corn, wheat, coffee, sugar, soybeans, and pork.

Currency

The foreign exchange market (forex) is a market where world currencies are traded 24 hours a day. For some, it's simply a mechanism for changing one currency into another, such as multinational companies doing business in various countries. However, the market is also occupied by traders who bet on movements of currencies relative to each other.

Derivatives

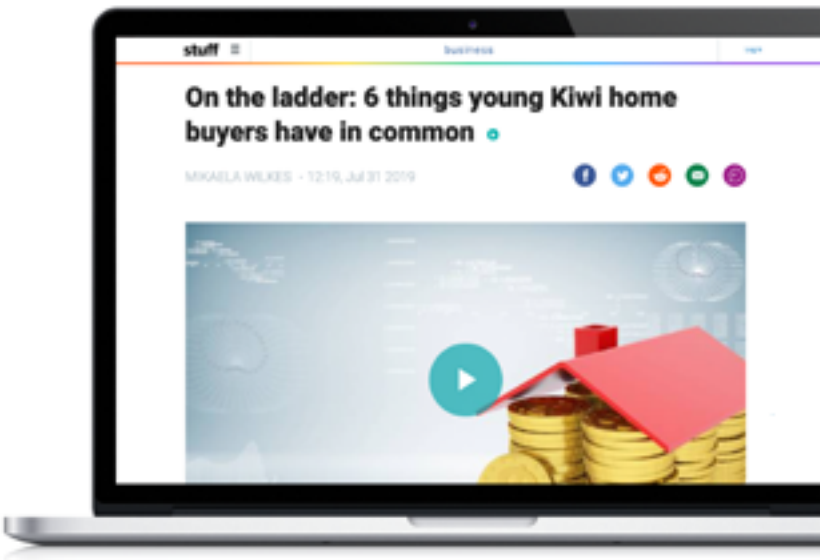
Refers to a type of contract whereby rather than trading a physical asset, a derivative merely derives its value from the underlying asset. In other words, it acts as a promise that you'll purchase the asset at some point in the future. The specific date and price are set out in the derivative contract. Currencies like USD or GBP, Commodities like gold, silver, and oil, Interest rates, stocks and bonds. Derivatives are often used to hedge positions, give leverage, or speculate on the asset's movements.

Business ownership

Business ownership involves investing in your own business, which you build over time. This investment option can involve a lot of planning, research and perseverance. If your business idea is a good match for your interests and strengths, it can also be very rewarding.

Owning a business is a long-term investment because it can take several years before a business starts to make money.

If your business is successful, but you want to do something else, you might be able to sell your business to someone else.



Activities

1) Talk with a whānau member, or another adult, about investment options they are either aware of or have, for example, a saving account or a KiwiSaver account.

2) Choose two terms from the vocab list below, for example, risk and return, and explain to a classmate how they are related. Give them two words and ask them to do the same.

- investment
- risk
- reward
- tax
- capital gains
- diversification
- shares
- property.

3) Download the Investing Sorted booklet from the **student activities page of the Sorted in Schools website**. You can find the booklet by selecting "Booklet" from the dropdown menu under Media and then selecting "Investing" as the Theme.

Use the information on page 8 to answer the following questions:

a. What is the usual timeframe for short, medium, and long-term investments?

.....

.....

.....

.....

b. Explain why the timeframe of an investment might impact on which investment option(s) you choose.

.....

.....

.....

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Before moving on to Topic Three, check that you understand:

- ☑ what risk and returns are
- ☑ what the following investments options are:
  - saving accounts
  - term deposits
  - bonds
  - commodities
  - shares
  - KiwiSaver
  - property
  - currency
  - derivatives
  - business ownership.

Topic Three:
Risk, rewards and length of time for investments

Learning Outcome for Topic Three

- [x] Understand the relationship between risk, reward, and timeframe when choosing investment options.

Success criteria

You should complete all activities in this topic. They will help you to meet the assessment requirements of describing KiwiSaver and two other investment options in terms of their risk, reward, and length of time.

This topic is about the risks and rewards of investing.

Investigating potential risks and rewards before investing can help you to choose an investment that best suits your goals, circumstances and personality.

If you want to invest some money, the first thing you need to do is investigate the potential risks and potential rewards of an investment.

Assessment tip:

Remember that in your assessment, you can talk about potential returns as one form of "reward", but you can also discuss other benefits of a saving or investment option.

Understanding risk

Risk is the possibility that your investment might not be as good as you expected and/or that it falls in value. As a result, an investment might leave you with less money than you started with or, in some extreme situations, you might lose all of the money you invested.

There are lots of different forms of risk, and some risks are specific to a form of investment. For example, if you decide to invest in a rental property, some of the risks are:

- unexpectedly large costs, for example, having to cover the costs of a major plumbing issue
- damage caused to the property by a natural disaster or by the tenants
- the value of the property going down over time
- not being able to find tenants which may mean that you can't cover the costs of the property or mortgage
- needing to sell the property because you urgently need the money, but not finding a buyer or being forced to sell it for less than you bought it for.

Reflect: financial risks can affect our relationships with other people. For example, if you live and share expenses with other people, taking unmanageable financial risks can result in you not being able to pay your fair share. If you become a parent one day, taking financial risks can impact on the wellbeing of yourself and your whānau. That doesn't mean that you shouldn't take risks, but it is important to research and weigh up the potential impact of different investments and to make sure you have a back-up plan if an investment isn't as successful as you had hoped.

Managing risk

A good way to manage risk is to spread your investments out so that they're not all in one area. If one investment doesn't do so well, but another one is a great success, your overall investment can manage some losses. Spreading out your investments is called diversifying.

Investments can go up and down in value. This doesn't matter too much if you won't need the money for a long time, because you'll be able to take the highs with the lows. However, if you are investing to achieve a short-term goal, you'll probably want to choose a more stable and predictable investment option.

Understanding rewards

Rewards are the benefits that come with an investment. Some of these rewards are financial, for example, getting a good return on an investment. Examples of returns include, rent from property, dividends from shares, interest from bonds or cash, selling something for more than we bought it for eg Capital Gain.

Remember that rewards and returns are not the same thing because returns can be positive or negative. A negative return means that you lose money instead of making money – which is not much of a reward!

Other rewards (benefits) of a particular investment option can be the choices that it provides, for example, being able to invest at any age or having the flexibility to change your investment when you want. Most importantly, the true reward of a financial investment is when it helps you to achieve a goal you were working towards, for example, being able to visit family overseas, paying for study or buying a home.

The relationship between risk, rewards, and time

Risk and return are a balancing act. As a general rule the higher the potential reward, the higher the risk; the lower the risk, the lower the reward. The amount of time before you want to use your invested funds, and their reward, is a big factor when it comes to choosing a level of risk or reward.

An important purpose of an investment is to achieve a financial goal. That goal could be paying for study once you leave school, saving up for a home, building up money for retirement or any other goal that requires money. The purpose of an investment determines its timeframe - how soon will you need the money?

Here is a common definition of short-, medium-, and long-term goals and investments:

- A short-term investment is 1–3 years.
- A medium-term investment is 4–9 years
- A long-term investment is 10 or more years.

If you have a short-term goal, say something that you want to achieve in one to three years, a low-risk investment is often the best option. The reward might not be very high but they are likely to be stable and predictable.

If you have a long-term goal, for example having a significant amount of money when you retire in 50 years, a high-risk investment might be a better choice. There may be some ups and downs over time, but in the long run you've got a better chance of making enough money to achieve your goals.

Activities

1) Download the Investing Sorted booklet from the **student activities page of the Sorted in Schools website**. You can find this by selecting "Booklet" from the dropdown menu under Media, and then selecting "Investing" as the theme.

Use the information on pages 3 and 4 to answer these questions:

a. What are the advantages and disadvantages of higher-risk investments?

b. Explain "diversifying" in your own words, and justify why it is better to have lots of small investments rather than just one large one.

Before moving on to Topic Four, check that you understand:

- ✓ investment risk and ways to manage risk
- ✓ the relationship between risk, returns and timeframe
- ✓ other potential rewards of investing.

Topic Four: Comparing risk, rewards, and timeframe of investment options

Learning Outcome for Topic Four

- [x] Compare and contrast investment options based on their risk, reward and timeframe.

Success criteria

You should complete all activities in this topic. They will help you to meet the assessment requirements of explaining your reason for recommending a particular savings or investment options for an individual.

In this topic, the focus is on creating a comparison table that you can use in your assessment task.

Assessment tip:

In your assessment, you need to describe the risk, rewards and timeframes of six investment options.

You'll be given four scenarios. For each scenario, you will need to suggest two saving or investment options. One of the investment options you discuss must be KiwiSaver. You need to explain how your choice of saving or investment option will improve the person's future financial outcomes.

To get a Merit grade, you need to give clear reasons for suggesting a particular saving or investment option by making links with information in the scenarios.

To get Excellence, you need to explain in depth the investment options you have suggested. This could include the strengths of the investment options you have suggested and the weaknesses of investment options you have not suggested.

You can take any materials you like into the assessment, but anything you write needs to be in your own words. Your focus for this topic is on preparing a table of useful information that you can refer to in your assessment.

Activities

The table on the following page provides questions you can try to answer as you research each saving and investment option. The options in the left-hand column are hyperlinked to Sorted.org.nz guides that you can use as resources. You can also use the Investing Sorted booklet and the KiwiSaver Sorted booklet from the **student activities page of the Sorted in Schools website** or any other resources.

After clicking on the links, use CTRL F or ⌘F to look for keywords such as:

- risk
- return
- short, medium, or long.

Remember that short-term investments are normally 1–3 years long, medium term investments are 4–9, and long term investments are 10 or more years long.

Saving and/or investment option: Saving accounts		
Risk	What risks are involved? Try to identify specific examples.	
	Are there ways to manage this risk? If so, how?	
	When will you know the final value of the investment?	
Reward	How high are the returns likely to be?	
	What are the strengths of this investment option?	
	How much flexibility does it provide if life circumstances change?	
Length of time	Does this investment option suit a short, medium, or long term of investment? If so, why?	
	How does the length of the investment impact on the returns?	

Saving and/or investment option: Term deposits		
Risk	What risks are involved? Try to identify specific examples.	
	Are there ways to manage this risk? If so, how?	
	When will you know the final value of the investment?	
Reward	How high are the returns likely to be?	
	What are the strengths of this investment option?	
	How much flexibility does it provide if life circumstances change?	
Length of time	Does this investment option suit a short, medium, or long term of investment? If so, why?	
	How does the length of the investment impact on the returns?	

Saving and/or investment option: Bonds		
Risk	What risks are involved? Try to identify specific examples.	
	Are there ways to manage this risk? If so, how?	
	When will you know the final value of the investment?	
Reward	How high are the returns likely to be?	
	What are the strengths of this investment option?	
	How much flexibility does it provide if life circumstances change?	
Length of time	Does this investment option suit a short, medium, or long term of investment? If so, why?	
	How does the length of the investment impact on the returns?	

Saving and/or investment option: KiwiSaver		
Risk	What risks are involved? Try to identify specific examples.	
	Are there ways to manage this risk? If so, how?	
	When will you know the final value of the investment?	
Reward	How high are the returns likely to be?	
	What are the strengths of this investment option?	
	How much flexibility does it provide if life circumstances change?	
Length of time	Does this investment option suit a short, medium, or long term of investment? If so, why?	
	How does the length of the investment impact on the returns?	

Saving and/or investment option: Property		
Risk	What risks are involved? Try to identify specific examples.	
	Are there ways to manage this risk? If so, how?	
	When will you know the final value of the investment?	
Reward	How high are the returns likely to be?	
	What are the strengths of this investment option?	
	How much flexibility does it provide if life circumstances change?	
Length of time	Does this investment option suit a short, medium, or long term of investment? If so, why?	
	How does the length of the investment impact on the returns?	

Saving and/or investment option: Commodities		
Risk	What risks are involved? Try to identify specific examples.	
	Are there ways to manage this risk? If so, how?	
	When will you know the final value of the investment?	
Reward	How high are the returns likely to be?	
	What are the strengths of this investment option?	
	How much flexibility does it provide if life circumstances change?	
Length of time	Does this investment option suit a short, medium, or long term of investment? If so, why?	
	How does the length of the investment impact on the returns?	

Saving and/or investment option: Currency		
Risk	What risks are involved? Try to identify specific examples.	
	Are there ways to manage this risk? If so, how?	
	When will you know the final value of the investment?	
Reward	How high are the returns likely to be?	
	What are the strengths of this investment option?	
	How much flexibility does it provide if life circumstances change?	
Length of time	Does this investment option suit a short, medium, or long term of investment? If so, why?	
	How does the length of the investment impact on the returns?	

Saving and/or investment option: Derivatives		
Risk	What risks are involved? Try to identify specific examples.	
	Are there ways to manage this risk? If so, how?	
	When will you know the final value of the investment?	
Reward	How high are the returns likely to be?	
	What are the strengths of this investment option?	
	How much flexibility does it provide if life circumstances change?	
Length of time	Does this investment option suit a short, medium, or long term of investment? If so, why?	
	How does the length of the investment impact on the returns?	

Saving and/or investment option: Shares		
Risk	What risks are involved? Try to identify specific examples.	
	Are there ways to manage this risk? If so, how?	
	When will you know the final value of the investment?	
Reward	How high are the returns likely to be?	
	What are the strengths of this investment option?	
	How much flexibility does it provide if life circumstances change?	
Length of time	Does this investment option suit a short, medium, or long term of investment? If so, why?	
	How does the length of the investment impact on the returns?	

Saving and/or investment option: Business ownership		
Risk	What risks are involved? Try to identify specific examples.	
	Are there ways to manage this risk? If so, how?	
	When will you know the final value of the investment?	
Reward	How high are the returns likely to be?	
	What are the strengths of this investment option?	
	How much flexibility does it provide if life circumstances change?	
Length of time	Does this investment option suit a short, medium, or long term of investment? If so, why?	
	How does the length of the investment impact on the returns?	

Before moving on to Topic Five, check that you understand:

- ☑ where to find information about a range of investment options
- ☑ the risk, rewards, and length of time of a range of investment options, including KiwiSaver.

Topic Five:
Explaining and drawing conclusions about the future financial benefits of savings and investment options

Learning Outcome for Topic Five

- [x] Explaining and drawing conclusions about the future financial benefits of savings and investment options.

Success criteria

You should complete all activities in this topic. They will help you to meet the assessment requirements of explaining the suitability of savings and investment options for a given scenario and being able to draw conclusions about their benefits for a particular investment option.

The focus of this topic is on how to develop a saving and investment plan for a given scenario.

Assessment tip:

In your assessment, you will be given four scenarios. For each scenario, you need to recommend two saving and investment options that suit a person or couple's situation. To do this, you should identify:

- the financial goals that the person or couple in the scenario want to achieve. What investment options will help them do so?
- whether a short, medium, or long-term investment is the best option and explain why. Then choose an investment option or options that best suits that timeframe.
- how much financial risk the person or people can manage. Choose a saving or investment option, or options, that has a suitable level of risk and explain ways to manage it.
- whether the person or couple have any financial challenges that could mean they need access to their money quickly.

What makes a good investor?

To be a good investor you need to:

- Be clear and realistic about what you want to achieve – keep the end goal in sight. You might be saving to pay for further study once you leave school, or saving for an item such as a car or eventually a house or you might be saving up for a time when you're not working (retirement).
- Know when you're likely to need the money. The amount of time you have before you need the money can influence how you choose to invest.
- Understand risk. Risk is the chance that you will lose money instead of making money from your investment.
- Choose a mix of investments that is a good fit for the level of risk you want to take, for example, work out how much money you want to invest in shares, bonds, property or cash.
- Not put all of your eggs in one basket, for example, if you are investing in shares, you can spread the risk of investing by choosing to invest in shares from a range of companies, industries and countries around the world.

The **Investor kickstarter tool** can show you a typical mix of investments options based on the level of risk people are prepared to take and the timeframe of their investment.

Activities

1) Read this **Stuff article about different investment options**.

- If you had $50 to spare which option would you choose to invest in?

- If you were given $1,000 to invest, how would you invest it?

- What factors would influence your decision?

2) Read the following scenario and answer the questions that follow.

- *Nike and Rebekah are siblings. Their grandmother passed away a few months ago and Nike and Rebekah inherited $5,000 each. They each decide to invest the money they received but are not sure which investment option(s) to choose.*
- *Nike is studying and has one more year before he qualifies as a food technologist. He is living at home but wants to go flatting once he goes to work, so he's saving up for the costs of setting up a flat. Rebekah works as a massage therapist and would love to travel back to the islands one day but is not in a hurry. Nike and Rebekahs' Mum suggests that they use at least some of the money to invest in a longer-term goal.*

a. What goals do Nike and Rebekah have? What investment timeframe would be a good match for these goals?

b. Why might it be a good idea to have more than one kind of investment?

c. What are the potential risks and rewards of the investments you have suggested? How can risk be managed?

d. Why is the investment option you have suggested a better option than another investment option?

3) Watch the **Investment Options video** and draw up a table that shows Connie some investment options for her $1,000. Identify potential risks and returns of the investments.

Before moving on to your assessment, check that you understand:

- ☑ how to use the **Sorted.org.nz Investor kickstarter tool**
- ☑ how to choose investment options that are a good match for different individual investor profiles
- ☑ how to justify your recommended saving and/or investment options based on their level of risk, return, and timeframe.

Ka pai!

You've completed the Future Focus module. Use the checklist below to make sure that you are ready for your assessment.

Checklist for:

US 28090 Demonstrate knowledge of selected personal financial saving and investment options that provide financial benefits

I can:

- ☑ explain what investment is
- ☑ explain why people invest
- ☑ explain what risks and rewards are, and give examples of each
- ☑ describe a range of saving and investment options, including:
  - KiwiSaver
  - currency
  - term deposits
  - property
  - shares
  - business ownership
  - derivatives
  - savings
  - bonds
  - commodities.
- ☑ explain the risk, reward, and timeframe of each saving and investment option
- ☑ identify what forms of investment suit a person's situation
- ☑ justify an investment option by drawing conclusions about its benefits compared to another form of investment.

Reference list

Student activities	sortedinschools.org.nz/students/activities/
Glossary	sortedinschools.org.nz/api/v1.0/download?filename=future-focus-glossary&files=2458
Future Focus module video	vimeo.com/425275998/3be072d954
Sorted.org.nz guide to saving and investing	sorted.org.nz/guides/saving-and-investing/
Sorted.org.nz Investor kickstarter tool	sorted.org.nz/tools/investor-kickstarter
Sorted.org.nz Smart Investor tool	smartinvestor.sorted.org.nz/
Watch Making money work for you	youtube.com/watch?v=0NyQg2byAeo
video of dancer Josh Faleatua	youtube.com/watch?v=pOvPYOJUfao
KiwiSaver fund types and levels of risk	sorted.org.nz/guides/kiwisaver/kiwisaver-which-fund-suits/
Ethical KiwiSaver investments on the Sorted.org.nz website	sorted.org.nz/must-reads/looking-for-ethical-options/
Ways that young New Zealanders have managed to buy a home	stuff.co.nz/life-style/homed/houses/114580176/on-the-ladder-6-things-young-kiwi-home-buyers-have-in-common
Saving accounts	sorted.org.nz/guides/saving-and-investing/bank-deposits/
Term deposits	sorted.org.nz/guides/saving-and-investing/bank-deposits/
Bonds	sorted.org.nz/guides/saving-and-investing/bonds
KiwiSaver	sorted.org.nz/guides/saving-and-investing/investing-in-property/
Property	sorted.org.nz/guides/saving-and-investing/investing-in-property/
Shares	sorted.org.nz/guides/saving-and-investing/shares/
Business Ownership	business.govt.nz/getting-started/taking-the-first-steps/questions-to-ask-yourselfbefore-you-start/
Stuff article about different investment options	stuff.co.nz/business/113279048/i-took-50-and-invested-it-heres-what-i-learnt
Investor kickstarter tool	sorted.org.nz/tools/investor-kickstarter

Reference list

Commodities	fma.govt.nz/investors/ways-to-invest/commodities/
Currency	fma.govt.nz/investors/ways-to-invest/foreign-exchange-trading/
Derivatives	fma.govt.nz/investors/ways-to-invest/derivatives/

Te whai hua - kia ora!

sorted in Schools

NCEA Level: 1 (version 3)

QAAM Number: #3178

Unit Standard: #28090

Unit Standard Title:

Demonstrate knowledge of selected personal financial saving and investment options that provide financial benefits

Notes: