Objectives:

- *Find out how many American households hold different types of assets.*
- *Demonstrate how investments in savings accounts and stocks function.*

Concepts and Key Terms:

- *how savings accounts function*
- *how stocks function*
- *interest*
- *dividends*
- *assets*

Instructional Time:

- *55 minutes*

Preparation:

For the Bellringer Activity 11.1:

- *Several large pieces of paper taped to the walls, equal distance apart, around the room.*
- *Ten large magic markers*
- *Chart 11a, Percentage of Families Owning Various Assets, 2001*
- *Chart 11b, Ownership of Stocks and Mutual Funds, 2001*

For Activity 11.2

- *Make up large individual stock certificates for five easily recognized companies, taped to the board (e.g., Disney, Nike, TIVO, United, and Sony)*
- *Plenty of play money, including five $1,000 bills*
- *Three 8.5" x 11" laminated placards labeled "Storeowner," "Banker," and "Investor."*

Conducting the Lesson

Bellringer Activity 11.1: How Many Americans Own Savings Accounts? How Many Americans Own Stock?

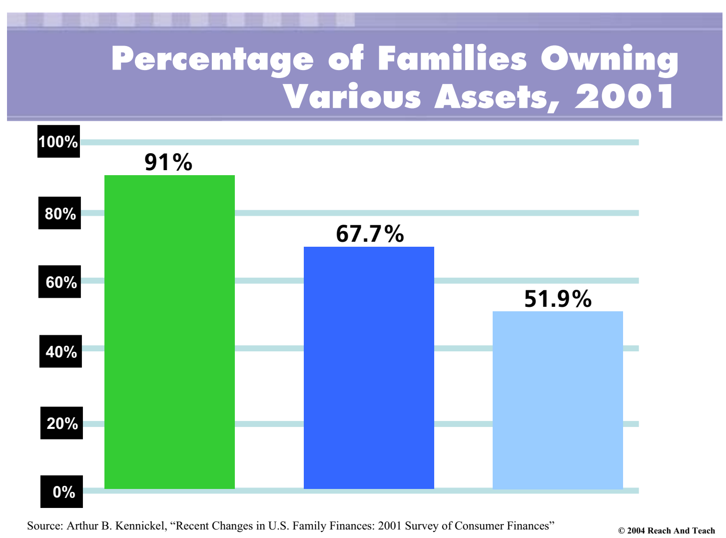
1. Divide students in to small groups of four or five. Hand each group a magic marker and provide the following instructions:

a) Each group should choose one of the pieces of paper taped to the wall.

b) Have each group estimate what percentage of American families have checking or savings accounts, what percentage own their own house, and what percentage own stock.

c) Have each group draw a bar chart containing their estimates for the three categories.

2. When all students are done, discuss all the "guesses" and have the class vote on the one they think is most accurate. Then reveal **Chart 11a, Percentage of Families Owning Various Assets, 2001 and Ownership of Stocks and Mutual Funds, 2001.**



Activity 11.2: How do Savings Accounts and Stocks Work?

People often have their wealth invested in savings accounts or stocks. The next two demonstrations will explain how these both work. It is helpful to write the interest rates on the board as you narrate this demonstration.

Savings Accounts

1. Begin with the definition of interest.

2. Ask for three volunteers:
   a) a person with money to put in a savings account, in other words, an investor
   b) a banker
   c) a store owner

> **DEFINITION:**
>
> ***Interest*** is the "price paid for the use of credit or loanable funds over a period of time. It is stated as a rate — that is, as a percentage of the amount borrowed. Thus an interest rate of 10% annually means that the borrower pays ten cents interest per $1 borrowed per year, or $10 per $100 borrowed per year, and so on."[5]

3. Give the volunteers their identifying placards, and the investor a $1,000 bill, and the banker and store owner some of the fake money.

4. Narrate the following scene: The Investor approaches the bank and puts her money in a savings account at the bank, with a promised 3% interest. The Banker now lends the money to the store at an interest rate of 10%. The Storeowner uses the money to buy more goods to sell in his store and to sell the goods at a profit. Stop at this point and ask the Storeowner what he wants to sell.

5. Tell students that one year has passed. The Storeowner now owes the bank $1,100 ($1,000 + 10% interest). The Banker now owes the Investor $1,030 (1,000 + 3% interest). The Banker gets to keep $70 as profit. The Investor gets to keep $30 out of the deal. A small profit, but since it was a savings account it was guaranteed by the federal government with no risk. The Storeowner was able to make profits by selling the goods at a higher price than he bought them.

Stocks

6. Define "stock."

7. Tape the five stock certificates to the chalk board. Ask for five volunteers and hand each volunteer a fake $1,000 bill. Ask each person which company's stock they want to buy. Hand each certificate to the student who buys it.

8. Tell students that one year has passed. Stock owners are now receiving dividends. Define "dividends". Hand students fake money from $1 to $50.

> **DEFINITION:**
>
> A ***stock*** is a share of ownership of a business such as Disney or Microsoft. Officially, in exchange for cash, an investor becomes a part owner of the business. The share of stock is a claim on a share of the profits of the business. Some of these profits are distributed to the stockholders in the form of ***dividends.*** In recent years, however, many investors haven't focused as much about dividends. They buy a stock in the hopes that its price will go up, so that they can sell it at a profit.

> **DEFINITION:**
>
> ***Dividends*** are earnings (income) that stockholders receive from the company.

9. Now students sell their stocks (students hand the stock certificates to the teacher) and get the amounts based on the change in the value of the stock. Some students made a lot of money, but some lost money for their $1,000 investment. Unveil the following information on the board and hand out the amounts based on the sale price.

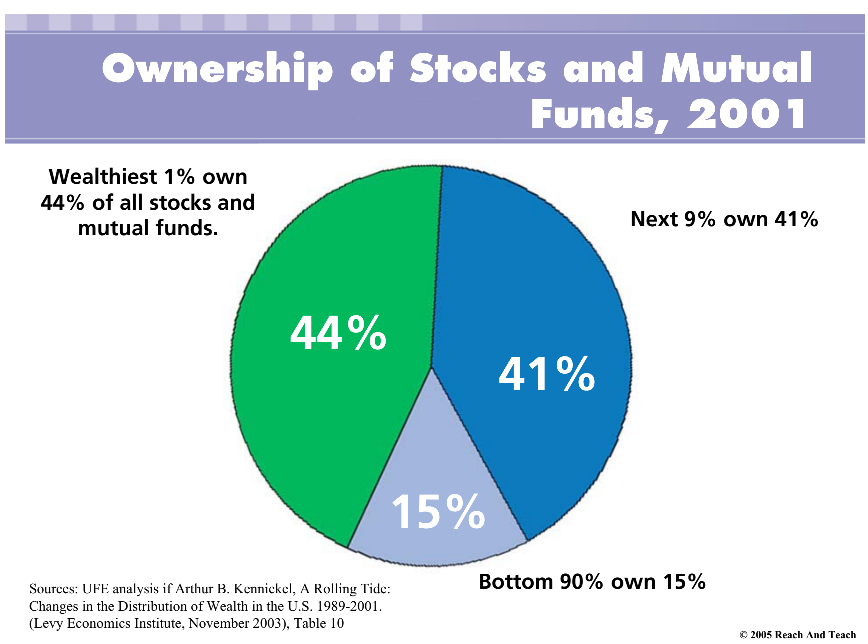
Company	Sale price
Disney	$1,100
Nike	$1,155
TIVO	$408
United Airlines	$667
Sony	$1,038

10. Point out that there is more risk in putting your money in stocks than in putting it in a savings account. In general, the greater the financial risk you take, the higher the potential return will be.

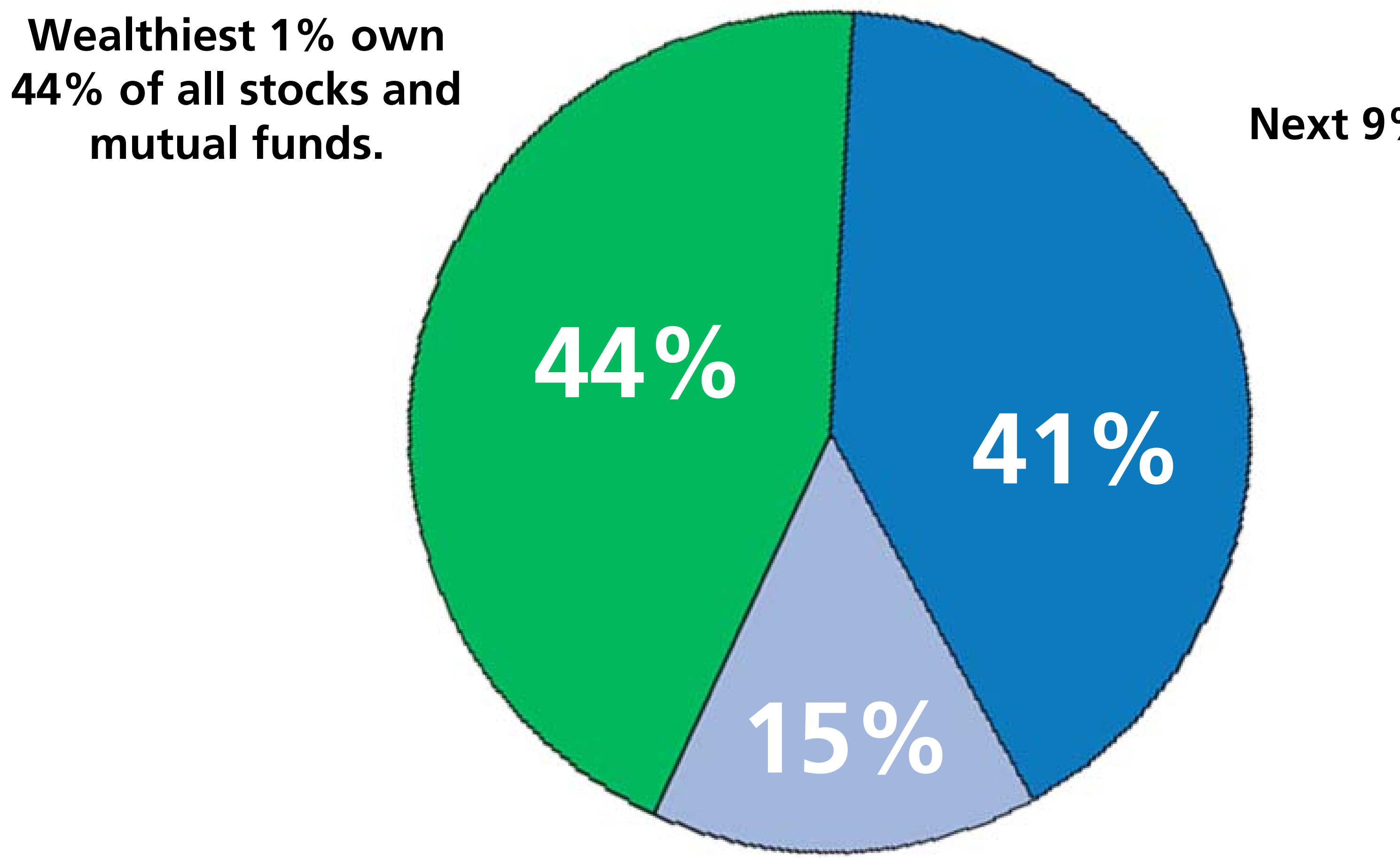
TALKING POINT:

In the 1990's the value of many stocks rose dramatically and many people who invested in the stock markets gained a lot of wealth. A typical investor who put $10,000 into the stock market on January 1, 1990 and left it alone would have gained $40,122 by the end of 1999. In other words, that investor's wealth would have quadrupled. However, between March 11th 2000 and October 9th of 2002, the largest American stock exchange, called the NASDAQ market, lost 78% of its value in what has come to be known as the DOT COM bust (based on the number of Internet related companies that failed during that period). That means our example investor who had $50,122 in 1999, may have ended up on October 9th 2002 with only $11,026.

Plus, despite a slight majority of all American households owning some stocks or mutual funds, 85% of all stocks are owned by the wealthiest 10% of Americans. Who do you think wins the most when the market rises and who has ultimate control over its fate?

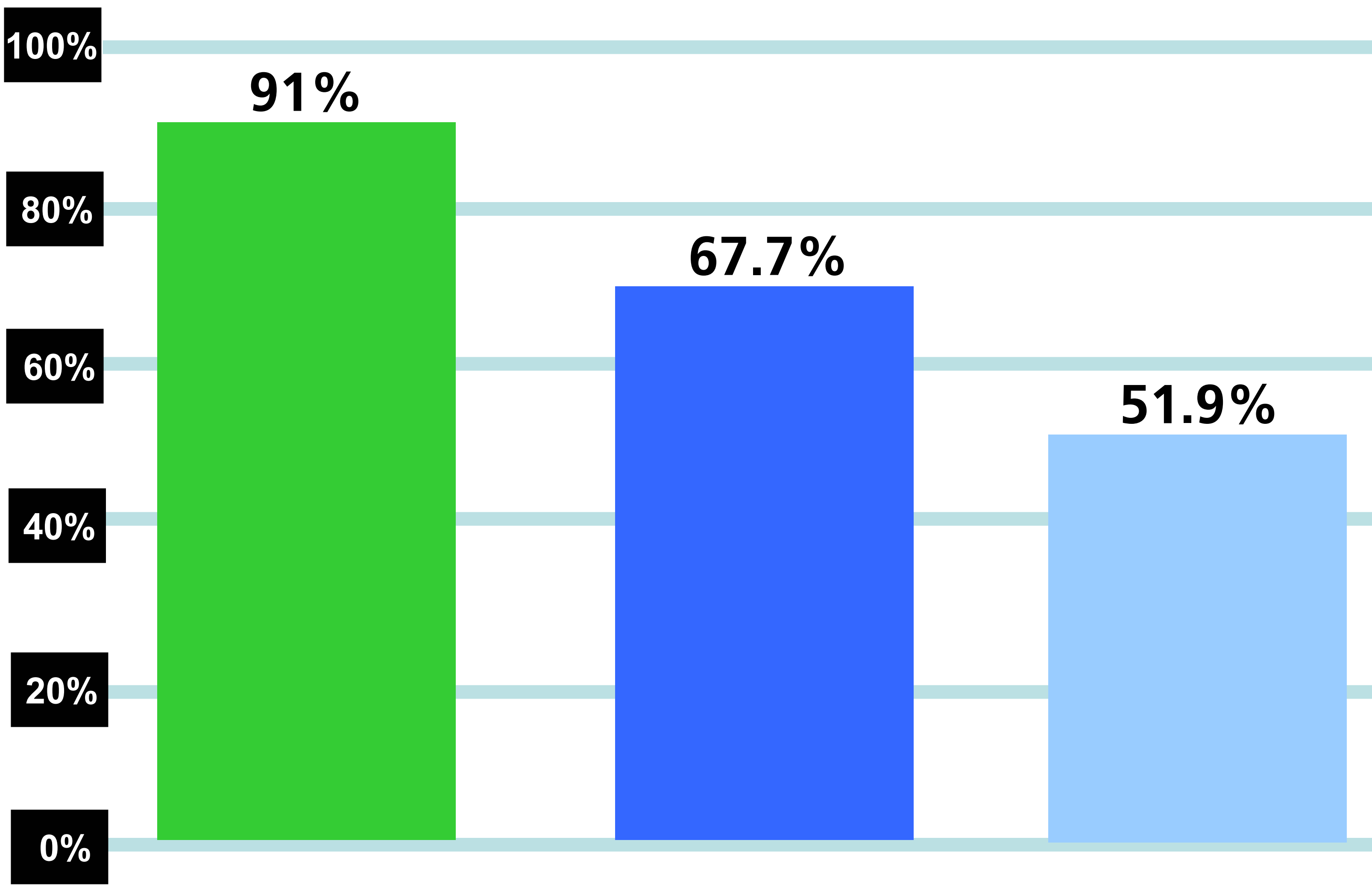


Ownership of Stocks and Mutual Funds, 2001



Sources: UFE analysis if Arthur B. Kennickel, A Rolling Tide: Changes in the Distribution of Wealth in the U.S. 1989-2001. (Levy Economics Institute, November 2003), Table 10

Percentage of Families Owning Various Assets, 2001



Source: Arthur B. Kennickel, “Recent Changes in U.S. Family Finances: 2001 Survey of Consumer Finances”

Original Value of Stock = $1,000 What About A Year Later?

Would You Choose Nike?

Would You Choose Disney?

Would You Choose TIVO?

Would You Choose United?

Would You Choose SONY?