# Nau mai haere mai!

# Welcome to the Future Focus module.

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

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| **US 28090 Demonstrate knowledge of personal financial saving and investment options for given scenario(s) (version 3)**  **Level 1**  **Credits:** 4  **CFFC themes:** investing, KiwiSaver  You will be assessed on how well you:   * describe savings and investment options in terms of risk, reward and timeframe; * choose four possible saving and/or investment options for given scenarios (one option must be KiwiSaver) that will improve future financial outcomes; * give reasons for choosing the options and make links to the suitability for the given scenarios; * justify your choice of investment options. |

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| **Evidence/Judgements for Achievement** | **Evidence/Judgements for Achievement with Merit** | **Evidence/Judgements for Achievement with Excellence** |
| You need to:   * identify and explain **KiwiSaver and three other savings and investment options** that will improve the future financial outcomes for given scenarios * describe **each** of the following savings and investment options in terms of their **risk**, **reward** and **timeframe**:   + KiwiSaver   + term deposits   + property   + shares   + business ownership   + bank account. | As well as meeting the requirements for Achievement, you need to:   * explain your reason(s) for recommending a particular savings and investment option for given scenarios * explain the suitability of each savings and/or investment options in terms of how it will improve the future financial situations for given scenarios. | As well as meeting the requirements for Merit, you need to:   * justify your choice of **four** savings and investment options by explaining why they are a better option for a given scenario than another savings or investment option. |

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| **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**: Savings and investment options – savings accounts; term deposits; shares; managed funds; KiwiSaver; iwi-based investment schemes; property; business ownership
* **Topic Three**: Risks, 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**: Matching investments to scenarios – what makes a good investor.

# Resources

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

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

* Investment infographic
* Investment PowerPoint
* Investment Sorted booklet
* KiwiSaver infographic
* KiwiSaver powerpoint
* KiwiSaver Sorted booklet.

You can find these resources on the [Student Activities](https://sortedinschools.org.nz/students/activities/) page of the Sorted in Schools website by clicking on Theme and selecting either **Investment** or **KiwiSaver** from the dropdown menu.

Be sure to watch the fun, informative video that accompanies this module - [Future Focus video](https://vimeo.com/425275998/3be072d954)

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Other useful tools and websites include:

* [Sorted.org guide to saving and investing](https://sorted.org.nz/guides/saving-and-investing/)
* [Sorted.org investor kickstarter tool](https://sorted.org.nz/tools/investor-kickstarter)
* [Sorted.org Smart Investor tool](https://smartinvestor.sorted.org.nz/?_ga=2.98272799.120360179.1584141260-2048921657.1579896440&_gac=1.152809291.1582790321.CjwKCAiAy9jyBRA6EiwAeclQhO_clsL3nVPmN-jiRYZ-qRDE0UtD6SkfBxWYvApEB9_CGGER58GGShoCsiwQAvD_BwE).

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

# Topic One: Understanding investment

## **Learning outcomes for Topic One**

* Understand the importance of investment
* 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 improve people’s future financial outcomes.*

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?

Diagram

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### 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.

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*Image from Tip-Top Fonterra archives*

When this poster 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!

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### 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 grow faster than 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](https://www.youtube.com/watch?v=0NyQg2byAeo), 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](https://sortedinschools.org.nz/students/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.
3. Explain what a “return” is using your own words.
4. 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

* Understand different 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 KiwiSaver and three other savings and investment options that can improve future financial outcomes.*

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!

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| Assessment tip:  In your assessment, you need to describe four investment options and one of them must be KiwiSaver. Your description needs to include information about the risk, returns, rewards (benefits), and the timeframe of each investment option.  You’ll be exploring risk, returns, 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.  A **return** is how much we get back from investing, in other words, how much an investment grows over time (or not!). Returns can be both positive or negative; if you make money, you’ll have a positive return, if you lose it, it’s a negative return.  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. |

### Savings 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](https://www.youtube.com/watch?v=pOvPYOJUfao) talking about having a savings account.

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

### Term deposits

Term deposits are similar to savings accounts because they also pay interest. However, they usually offer a higher rate than most savings 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.

### 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 tend to 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 Sorted Investing 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](https://sortedinschools.org.nz/students/activities/)). Notice how the purple line goes up and down but the overall growth is much greater than the orange line.

### Managed funds

Not everyone feels confident about investing in bonds or shares, but you can pay someone to do this for you. A managed fund is a fund managed by a team of experts who invest your money in a mixture of ways, such as shares, commercial property, bonds or cash. Long-term managed funds usually have higher returns than term deposits, but can go up and down over time.

For some people, choosing a managed fund that aligns with their values is very important, and there are a range of ways to do so. For example, you can choose a managed fund that only invests in shares in companies that align with Māori values such as aroha, whanaungatanga, and kaitiakitanga. This might mean that the fund manager only invests your money in companies that have a low tapuwae wero (carbon footprint), which is one way to demonstrate care for the environment (kaitiakitanga).

### 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. 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%, 4%, 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% 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 regular payments and/or paying lump sums.

For every dollar you put into KiwiSaver (whether through your pay or independently), the government contributes 50 cents, up to a maximum of $521 a year.

**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](https://sorted.org.nz/guides/kiwisaver/kiwisaver-which-fund-suits/) 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](https://sorted.org.nz/must-reads/looking-for-ethical-options/) on the Sorted website

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| 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](https://sortedinschools.org.nz/students/activities/) 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.

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### Iwi-based investment schemes

A number of iwi offer investment schemes that support financial wellbeing. For example, Ka Uruora is a Taranaki-based iwi investment scheme that has been designed by iwi to support whānau members to manage their financial futures.

The WhānauSaver option has more flexible withdrawal options than KiwiSaver, allowing users to access their funds for unexpected emergencies, tertiary education and retirement at age 55. People who use the scheme can also use their funds to buy their first home.

### 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](https://www.stuff.co.nz/life-style/homed/houses/114580176/on-the-ladder-6-things-young-kiwi-home-buyers-have-in-common).

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.

### 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 savings 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
* return
* tax
* capital gains
* diversification
* shares
* property.

3) Download the Investing Sorted booklet from the [student activities page of the Sorted in Schools website](https://sortedinschools.org.nz/students/activities/?category=video&tag=&start=0&limit=6). 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:

1. What is the usual timeframe for a short, medium, and long-term investment?
2. Explain why the timeframe of an investment impacts on which investment option(s) you choose.

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

* what risk and returns are
* what the following investments options are:
  + savings accounts
  + term deposits
  + shares
  + managed funds
  + KiwiSaver
  + iwi-based investment schemes
  + property
  + business ownership.

# Topic Three: Risk, rewards and timeframe of investments

### Learning outcome for Topic Three

* 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 three other savings and investment options in terms of their risk, reward, and timeframe.*

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.

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| 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 an investment option. |

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

### 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.

It’s important to be wary of the many fake investment scams that exist. If an investment return sounds too good to be true… it probably is!

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:

* unexpected 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 so you won’t have rent coming in to 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.

Each investment option has its own risks.

**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 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.

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 if 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, returns, and time

Risk and return are a balancing act. As a general rule the higher the potential return, the higher the risk; and the lower the risk, the lower the return.

The amount of time before you want to use your invested funds, and their returns, is a big factor when it comes to choosing a level of risk or return.

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 returns 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 meet your goal.

## 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:

* 1. What are the advantages and disadvantages of higher-risk investments?
  2. 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 time
* other potential rewards of investing.

# Topic Four: Comparing saving and investment options

### Learning outcome for Topic Four

* Compare and contrast investment options based on 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.

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| Assessment tip:  In your assessment, you need to describe the risks, rewards and timeframes of four investment options.  You’ll also be given four scenarios. For each scenario, you will need to suggest an investment option or options. One of the investment options you discuss must be KiwiSaver. You need to explain how your choice of 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 investment option by making links with information in the scenario.  To get Excellence, you need to justify the investment options you have suggested. Justify means explain the strengths of the investment option 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 below provides questions you can try to answer as you research each investment option. The investment options in the left-hand column are hyperlinked to Sorted.org 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](https://sortedinschools.org.nz/students/activities/), 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.

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| **Investment option** | **Risk** | **Reward** | **Timeframe** |
|  | 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? | 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? | 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? |
| [Savings accounts](https://sorted.org.nz/guides/saving-and-investing/bank-deposits/) |  |  |  |
| [Term deposits](https://sorted.org.nz/guides/saving-and-investing/bank-deposits/) |  |  |  |
| [Managed funds](https://sorted.org.nz/guides/saving-and-investing/managed-funds/) |  |  |  |
| [KiwiSaver](https://sorted.org.nz/guides/kiwisaver/kiwisaver-how-it-works/) |  |  |  |
| [Property](https://sorted.org.nz/guides/saving-and-investing/investing-in-property/) |  |  |  |
| [Shares](https://sorted.org.nz/guides/saving-and-investing/shares/) |  |  |  |
| [Business ownership](https://www.business.govt.nz/getting-started/taking-the-first-steps/questions-to-ask-yourself-before-you-start/) |  |  |  |

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

* where to find information about a range of investment options
* the risks, returns, and timeframe of a range of investment options, including KiwiSaver.

# Topic Five: Matching investments to scenarios

### Learning outcome for Topic Five

* Understand investment options for a given scenario and be able to justify which option(s) best suit a given scenario.

***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 justify a particular investment option.*

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

#### 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.
* 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 putting 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](https://sorted.org.nz/tools/investor-kickstarter) 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.

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| Assessment tip:  In your assessment, you will be given four scenarios. For each scenario, you need a recommend a savings and investment option that suits 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 an 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. |

## Activities

1. Read this [Stuff article about different investment options](https://www.stuff.co.nz/business/113279048/i-took-50-and-invested-it-heres-what-i-learnt).

* If you had $50 to spare which option would you choose to invest in?
* If you were given $1000 to invest, how would you invest it?
* What factors would influence your decision?

1. 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 $5000 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.*

1. What goals do Nike and Rebekah have? What investment time frame would be a good match for these goals?
2. Why might it be a good idea to have more than one kind of investment?
3. What are the potential risks and rewards of the investments you have suggested? How can risk be managed?
4. Why is the investment option you have suggested a better option than another investment option?
5. Watch the [Investment Options video](https://vimeo.com/425276406/e1df77ab4b) and draw up a table that shows Connie some investment options for her $1000. Identify potential risks and returns of the investments.

# 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 28089 Demonstrate knowledge of personal financial saving and investment options for given scenarios

I can:

* explain what investment is
* explain why people invest
* explain what risks and returns are, and give examples of each
* describe a range of saving and investment options, including:
  + KiwiSaver
  + managed funds
  + term deposits
  + property
  + shares
  + business ownership
  + bank account.
* 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 explaining its strengths compared to another form of investment.

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# Reference list

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| --- | --- |
| Student activities | [sortedinschools.org.nz/students/activities/](https://sortedinschools.org.nz/students/activities/) |
| Glossary | [sortedinschools.org.nz/api/v1.0/download?filename=future-focus-glossary&files=2458](https://sortedinschools.org.nz/api/v1.0/download?filename=future-focus-glossary&files=2458) |
| Future Focus module video | [vimeo.com/425275998/3be072d954](https://vimeo.com/425275998/3be072d954) |
| Sorted.org.nz guide to saving and investing | [sorted.org.nz/guides/saving-and-investing/](https://sorted.org.nz/guides/saving-and-investing/) |
| Sorted.org.nz Investor kickstarter tool | [sorted.org.nz/tools/investor-kickstarter](https://sorted.org.nz/tools/investor-kickstarter) |
| Sorted.org.nz Smart Investor tool | [smartinvestor.sorted.org.nz/](https://smartinvestor.sorted.org.nz/?_ga=2.98272799.120360179.1584141260-2048921657.1579896440&_gac=1.152809291.1582790321.CjwKCAiAy9jyBRA6EiwAeclQhO_clsL3nVPmN-jiRYZ-qRDE0UtD6SkfBxWYvApEB9_CGGER58GGShoCsiwQAvD_BwE) |
| Watch Making money work for you | [youtube.com/watch?v=0NyQg2byAeo](https://www.youtube.com/watch?v=0NyQg2byAeo) |
| video of dancer Josh Faleatua | [youtube.com/watch?v=pOvPYOJUfao](https://www.youtube.com/watch?v=pOvPYOJUfao) |
| KiwiSaver fund types and levels of risk | [sorted.org.nz/guides/kiwisaver/kiwisaver-which-fund-suits/](https://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/](https://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](https://www.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/](https://sorted.org.nz/guides/saving-and-investing/bank-deposits/) |
| Term deposits | [sorted.org.nz/guides/saving-and-investing/bank-deposits/](https://sorted.org.nz/guides/saving-and-investing/bank-deposits/) |
| Managed funds | [sorted.org.nz/guides/saving-and-investing/managed-funds/](https://sorted.org.nz/guides/saving-and-investing/managed-funds/) |
| KiwiSaver | [sorted.org.nz/guides/saving-and-investing/investing-in-property/](https://sorted.org.nz/guides/saving-and-investing/investing-in-property/) |
| Property | [sorted.org.nz/guides/saving-and-investing/investing-in-property/](https://sorted.org.nz/guides/saving-and-investing/investing-in-property/) |
| Shares | [sorted.org.nz/guides/saving-and-investing/shares/](https://sorted.org.nz/guides/saving-and-investing/shares/) |
| Business Ownership | [business.govt.nz/getting-started/taking-the-first-steps/questions-to-ask-yourself-before-you-start/](https://www.business.govt.nz/getting-started/taking-the-first-steps/questions-to-ask-yourself-before-you-start/) |
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NCEA Level: 1 (version 3)

QAAM Number: #3148

Unit Standard: #28090

Unit Standard Title: Demonstrate knowledge of personal financial saving and investment options for given scenario(s)