

JUNIOR ACHIEVEMENT \$AVE, USA

HIGH SCHOOL GRADES

Parent/Student Financial Literacy Feature



Taking Stock of Your Options

Although investing in the stock market is risky, it offers the potential for financial reward in the long run. In fact, many people are invested in the stock market, even if they don't buy individual stocks. They may be invested through their pension funds, 401K accounts,

mutual funds, or IRA investments.

Today, investing is inexpensive through online sites. Read the following story with your teen and discuss how owning shares of a company might be a good way to build wealth long-term.

Activity

Anna's money savvy began when her grandfather gave her \$50 for her seventh birthday and took her to the bank to open a savings account.

"I'll give you 50 cents for every dollar you save," Grandpa said. "That's a better interest rate than you'll get at any bank."

Knowing her grandfather was right, Anna began to save every extra cent she got her hands on, from birthday presents, holiday gifts, and special occasions, like the \$100 prize she won in an essay contest in sixth grade.

"You're off to a good start, Anna," said Grandpa when Anna turned 15. "I think it's time you branched out a little. Besides money in the bank, you should consider investing in the stock market. I'll match you dollar for dollar on your first investment." (Continued on Page 2.)



Dear Parent/Guardian:

Thank you for downloading this Financial Literacy Feature. We hope the information and activities offered will be helpful in strengthening your family's financial literacy skills.

"Sounds like a good deal, Grandpa, but isn't the stock market kind of risky?" asked Anna. "We studied in school about how the stock market dropped a lot in 2001 and again in 2008. I don't want to lose what I've already saved."

Anna's grandfather explained that buying stock means owning a part of a company. "It definitely does involve risk, but so does keeping money in the bank. A savings account might earn one percent interest, but if prices are rising at three percent annually, you're actually losing two percent of your buying power every year. That's called inflation risk."

"But how will I know which stock is a good one?" asked Anna.

Anna and her grandfather sat down at the computer and began to do some research. They looked at companies that made products Anna knew about: food, clothing, technology, transportation, and energy. They examined each company's assets and liabilities, that is, money on the plus and minus side of its financial report. After about a week of searching and thinking, Anna made her first stock-buying decision. She bought 10 shares of stock in a well-established company with very little debt. Here's what the company's stock entry looked like:

Company	Symbol	52 HI	52 LO	Vol. (000)	PE	Div	Yield	Hi	Lo	Close
XYZ Jeans	XYZJ	13.50	11.25	1,564	35	.45	3.6%	12.75	12.56	12.65

Anna's grandfather explained each column in the stock entry:

- Company: The company makes blue jeans.
- Symbol: Every stock has a symbol. The symbol for Anna's company is XYZJ.
- 52 Hi: The highest price of the stock in the past year was \$13.50.
- 52 Lo: The lowest price of the stock in the past year was \$11.25.
- Vol. (000): 1,564,000 shares of XYZJ shares were bought and sold yesterday. The 000 means that the number in the column is expressed in thousands.
- PE: This number is the Price/Earnings Ratio. It's the price of a stock divided by its earnings. The price of Anna's stock is 35 times as high as its annual earnings.
- Div: The stock pays a dividend. Companies pay dividends as a way of sharing their profits with shareholders. Not all stocks pay dividends. Usually older, well-established companies pay dividends; newer companies use their profits to expand, buy new equipment, or hire more workers.
- Yield: The dividend represents 3.6% of the stock's price per share.
- Hi: XYZ Jeans stock reached a high of \$12.75 today.
- Lo: XYZ Jeans stock fell to a low of \$12.56 today.
- Close: XYZ Jeans stock had a closing price of \$12.75 today.

Answer the four questions on Page 3 to determine the value of Anna's stock in 10 years.

Directions: Fill in the blanks to see how much Anna's stock is worth in 10 years.

1. If Anna buys 10 shares of XYZJ stock today, what is the total price of the stock?

2. Now, add the \$9 transaction fee charged by the investing website Anna is using. What is her total cost _____
3. If Anna's grandfather is matching her dollar for dollar, Anna has to come up with only half the money. What is Anna's share? _____
4. If Anna keeps the XYZ stock for 10 years and sells it when it reaches \$35.50 per share, how much will Anna have gained? Don't forget to subtract the \$9 transaction fee that Anna will have to pay when she sells her stock. _____

Choose three companies you are familiar with, and check their stock information at www.finance.yahoo.com. Which of the three do you think might be the best investment? Why?

Keep track of each stock's price every day for the next couple of weeks. You can use three different colored markers to graph each stock's performance on a single graph. This will show you whether the stock is going up or down in price. Analyzing each stock's performance gives you a hint about which might have the best long-term potential.

Keep in mind a stock's current performance is no guarantee of what will happen in the future, but the more information you have, the better decisions you can make.



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Answers:
1. \$127.50
2. \$127.50 + \$9.00 = \$136.50
3. \$68.25
4. Anna had a gain of \$218.50: \$35.50 x 10 = \$355.00. Subtract \$9 fee = \$346.00. The initial cost was \$127.50. Thus, \$346 - \$127.50 = \$218.50.

About JA Worldwide® (Junior Achievement)

Junior Achievement is the world's largest organization dedicated to providing relevant and innovative programs that inspire and prepare young people to succeed in a global economy. Through a dedicated volunteer network, Junior Achievement provides in-school and after-school programs that focus on three key areas: work readiness, entrepreneurship, and financial literacy. Since its founding in 1919, Junior Achievement has contributed to the business and economic education of millions of young people around the world. For more information, visit www.ja.org.

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