# Commerce – stage 5 – option 2 investing

**Note for teachers:**

Students are guided in completing an investigation into individual and business investment through a range of investment options. This sample virtual program is intended for 2 weeks of learning and includes several lessons and online resources.

Worksheets and resources are found at the end of the learning sequence.

This document references the [Commerce](https://www.educationstandards.nsw.edu.au/wps/portal/nesa/k-10/learning-areas/hsie/commerce) Years 7-10 Syllabus © 2003 Copyright NSW Education Standards Authority for and on behalf of the Crown in right of the State of New South Wales.

## 1.0 Individual and business investing

**Students:**

* examine individual and business investment, including
  + the reasons individuals and businesses may choose to invest
  + the range of ways to finance investment, including through savings, borrowings and superannuation

### 1.1 Reasons for investing

**Teachers note - It is important for students to understand the impact of individual and business investments in an economy. Investments usually require a significant sum of money and is different from savings. Students will need access to ICT throughout most of the activities, but alternatives have been suggested. Students will need prior knowledge and definitions of:**

**Savings - When consumer set money aside for use in the future; there is very little risk of losing this money.**

**Risk** - The possibility of losing all or part of the original finances used an investment. Usually, a low risk investment will produce a lower return and a high risk investment will result in a higher the return.

**Investing - When consumers purchase an asset to generate more income - there is a higher risk of the consumer losing some or all of the money invested. They can be financed by savings, borrowings and/or superannuation.**

#### **Activities:**

* Read the Money Smart [types of investment](https://moneysmart.gov.au/how-to-invest/choose-your-investments) articles and complete the [PMI activity](https://app.education.nsw.gov.au/digital-learning-selector/LearningActivity/Card/551?clearCache=d30edd23-d431-d4e2-84a-1953ffd0d5a0) below to outline reasons that individuals and businesses may choose to invest. Students develop a structured response on reasons why individuals and businesses choose to invest. Examples have been provided in the table below:

|  |  |  |  |
| --- | --- | --- | --- |
| Reasons for investing | Positive | Minus | Interesting |
| Reasons for investing – Individuals | Generates more income for consumer | Can be risky | Some investments are riskier than others |
| Reasons for investing - Businesses | To improve productivity of business | Results of investments can’t always be predicted | Training programs for employees is considered as an investment. |

* Read the Money Smart [borrowing to invest](https://www.moneysmart.gov.au/investing/borrowing-to-invest), [credit and debt](https://moneysmart.gov.au/student-life-and-money/credit-and-debt) articles. Students then read the scenarios and answer the following questions.

**Scenario 1** – individual and business investment advice.

Amelia is 26 years old. Ever since she was a little girl, she has wanted to purchase her own home. While she was studying at university, Amelia worked as a casual employee at a restaurant. She is currently working as an engineer and is earning approximately $100,000 per year before tax. She has been saving money since she finished high school and has saved approximately $70,000. She is looking to buy a small investment property, and has a budget of $750,000.

Amelia has come to you for financial advice.

1. **Describe the types of investments in the scenario**
2. **What are some risks and costs that Amelia needs to consider before making her decision?**
3. **How else could Amelia obtain finance to purchase a home?**
4. **What financial advice would you provide to Amelia?**

**Scenario 2 - business investments.**

**Nathan is 38 years old who has been working as a barista and café manager at multiple cafes since he completed high school. He wants to open his own café. During his research on the internet, Nathan found a café for sale in the heart of a major city. The café has been listed for sale for: $170,000 plus stock. Nathan has been saving some of his income every year and has saved around $150,000. Before he opens his café, Nathan wants to refurbish the space by re-painting the walls, buying a new coffee machine, and upgrading some of the furniture and upholstery. He has conducted research and obtained quotes from various suppliers and estimates that his refurbishment will cost an additional $30,000. Nathan estimates that the total cost of obtaining the business will be no more than $250,000.**

**Nathan has come to you for financial advice.**

1. **Describe the types of investments in the scenario.**
2. **What are some risks and costs that Nathan needs to consider before making his decision?**
3. **In addition to his savings, how else could Nathan obtain finances to purchase and refurbish his business?**
4. **What financial advice would you provide to Nathan?**

## 2.0 Investment options

**Students:**

* outline the range of investment options available, including:
  + appropriate domestic and international investment options available to people in different situations, e.g. shares, property, term deposits, managed funds
  + the relationship between risk and return for a range of investment options, eg managed funds, property, shares, superannuation
  + ethical investments

### 2.1 Range of investment options

**Teachers’ note** – Students need to have some knowledge and understanding of different investment options. It is also important to make informed decisions about an investment options, such as the best investment option in the short term and/or long term, the investment option with a higher level of risk or the investment option with a lower level of risk. It is important to understand the impact of ethical decisions involving an investment option. Students will need prior knowledge and definitions of:

**Share** - a single unit of ownership in a company or financial asset.

**Property investment** - the purchase of a property with a view to enhancing it and selling it or leasing it out in order to gain a return e.g. rent payments.

**Term deposit** - a savings product from a bank, credit union or building society where money is invested for a fixed term and receive a fixed rate of interest over that term.

**Managed funds** - money is pooled together with other investors and an investment manager buys and sells shares or other assets on a person’s behalf.

**Ethical** - acting in accordance with the rules or standards for right conduct or practice.

**Activities:**

* Students develop an [affinity diagram](https://app.education.nsw.gov.au/digital-learning-selector/LearningActivity/Card/576?clearCache=1436e1d7-da1-f33a-c794-183fa2de6425) to generate ideas on the different ways people can invest as an introduction to investment options.
* Create an ICT-based research activity in a table format. The table should include:
  + a simple definition for each investment option
  + identifying the [length of the investment option](https://www.moneysmart.gov.au/investing/invest-smarter/choose-your-investments): short, medium or long term
  + identifying the [level of risk for the investment option](https://www.moneysmart.gov.au/investing/invest-smarter/choose-your-investments): low, moderate or high
  + outline the return on investment for each investment option, for example, dividend, rent.
* Watch the videos of each investment option:
  + Investopedia - [shares (duration 1m:20s)](https://www.investopedia.com/terms/s/shares.asp)
  + Australian Securities Exchange - [what is a share? (duration 4m:39s)](https://www.youtube.com/watch?v=r-vn49SzYPA)
  + [Managed funds (duration 3m:15s)](https://www.youtube.com/watch?v=YAxMJZ5UfDU)
  + AustralianSuper - [what is superannuation? (duration 2m:30s)](https://www.youtube.com/watch?v=9tN5zYppkE0)

Use the videos to answer the following questions to review and explain the content:

* + What is the investment option?
  + What is the return for the investment option?
  + What are some important things to consider for the investment option?
* Read the MoneySmart webpage on [international investments](https://www.moneysmart.gov.au/investing/international-investments) and answer the following questions:
  + Why investors look overseas?
  + How to invest overseas?
  + What are the risks of overseas investments?
  + How to research international investments?
* Complete Worksheet 1 risk and return of different investment options to develop a structured commerce report.
* Use the pre-teaching resources (for example, AMP, Canstar and MoneySmart) as reference material to compare between the investment option with the lowest risk and the investment option with the highest risk in Australia. Develop a [T-chart](https://app.education.nsw.gov.au/digital-learning-selector/LearningActivity/Card/599?clearCache=28b7801a-ba01-99c7-d34-aa9469772a5c) to discuss the advantages and disadvantages of each investment option to better understand the level of risk associated with that investment option. For example, [property investment](https://www.moneysmart.gov.au/investing/property) versus [shares](https://www.moneysmart.gov.au/investing/shares). Using the T-Chart, write a short response to reflect on the content.
* Research a contemporary business case study to examine the importance of ethical business behaviour and discuss its impact on investment decisions by investors. Ethical business practice that could be investigated include:
  + the use of outsourcing to low-cost labour countries (for example, poor working conditions in the textiles industry)
  + the use of child labour (for example, chocolate/cocoa industry)
  + environmental degradation (for example, Indonesia’s palm oil industry on the orang-utans)

Use the research to present the information as an illustrative annotation, such as an infographic. Research may include the following:

* + What is the business practice?
  + Why the business practice is an ethical issue?
  + What are the impacts of the business practice on:
  1. individuals, businesses, investors or the environment
  2. present and future investment decisions
  3. investment levels in a business
  4. a business’ reputation and performance

## Worksheet 1 - risk and return of different investment options report

Use the Money Smart [risk and return](https://moneysmart.gov.au/how-to-invest/develop-an-investing-plan#jumpAnchor2) website to discuss the relationship between the risk and return of different investment options. Students develop a structured commerce report using the following provided scaffolded layout. Student should answer the following questions on each page. Students should use a variety of research, images and diagrams to support their answers.

* + 1. Title Page

Your name:

Title of report:

Date of completion:

### Page 1

Why is it important to know the level of risk associated with an investment option?

### Page 2

What are the different types of risks that different groups need to consider? For example: retirees, short-term savers and long-term investors.

### Page 3

What are the different [investment warnings](https://www.moneysmart.gov.au/investing/investment-warnings) to be aware of when making an investment? For example, [company director fraud](https://www.moneysmart.gov.au/investing/investment-warnings/company-director-fraud), [illegal managed investment schemes](https://moneysmart.gov.au/investment-warnings/investment-scams), [investment seminars](https://www.moneysmart.gov.au/investing/investment-warnings/investment-seminars), [investment trading software](https://moneysmart.gov.au/investment-warnings/forex-trading)

### Page 4

What are some [tactics for risk management](https://www.commsec.com.au/education/learn/investing-basics/what-is-risk-versus-return.html) for investment?

### Page 5

What strategies can be used when there are problems with an investment? For example, [Your investment value falls](https://www.moneysmart.gov.au/investing/invest-smarter/problems-with-your-investments), [Your investment company becomes insolvent](https://asic.gov.au/for-consumers/dealing-with-insolvent-companies/), [You think you've been scammed](http://moneysmart.gov.au/investment-warnings/investment-scams), [You think you've been given bad advice](https://moneysmart.gov.au/how-to-invest/choose-your-investments#jumpAnchor2)

## Resources

* Money Smart types of investment [moneysmart.gov.au/how-to-invest/choose-your-investments](https://moneysmart.gov.au/how-to-invest/choose-your-investments)
* Digital learning selector affinity diagram [app.education.nsw.gov.au/digital-learning-selector/LearningActivity/Card/576?clearCache=1436e1d7-da1-f33a-c794-183fa2de6425](https://app.education.nsw.gov.au/digital-learning-selector/LearningActivity/Card/576?clearCache=1436e1d7-da1-f33a-c794-183fa2de6425)
* Digital learning selector PMI activity [education.nsw.gov.au/digital-learning-selector/LearningActivity/Card/551?clearCache=d30edd23-d431-d4e2-84a-1953ffd0d5a0](https://app.education.nsw.gov.au/digital-learning-selector/LearningActivity/Card/551?clearCache=d30edd23-d431-d4e2-84a-1953ffd0d5a0)
* Money Smart borrowing to invest [moneysmart.gov.au/investing/borrowing-to-invest](https://www.moneysmart.gov.au/investing/borrowing-to-invest)
* Money Smart credit and debt [moneysmart.gov.au/student-life-and-money/credit-and-debt](https://moneysmart.gov.au/student-life-and-money/credit-and-debt)
* Money Smart length and level of risk of the investment option [moneysmart.gov.au/investing/invest-smarter/choose-your-investments](https://www.moneysmart.gov.au/investing/invest-smarter/choose-your-investments)
* Investopedia Shares [investopedia.com/terms/s/shares.asp](https://www.investopedia.com/terms/s/shares.asp)
* Australian Securities Exchange: What is a share? [youtube.com/watch?v=r-vn49SzYPA](https://www.youtube.com/watch?v=r-vn49SzYPA) (duration 4:39)
* Magellan Asset Management Limited managed funds [youtube.com/watch?v=YAxMJZ5UfDU](https://www.youtube.com/watch?v=YAxMJZ5UfDU) (duration 3:15)
* AustralianSuper What is Superannuation? [youtube.com/watch?v=9tN5zYppkE0](https://www.youtube.com/watch?v=9tN5zYppkE0) (duration 2:30)
* MoneySmart webpage on [international investments](https://www.moneysmart.gov.au/investing/international-investments) [moneysmart.gov.au/investing/international-investments](https://www.moneysmart.gov.au/investing/international-investments)
* Digital learning selector T-Chart [app.education.nsw.gov.au/digital-learning-selector/LearningActivity/Card/599?clearCache=28b7801a-ba01-99c7-d34-aa9469772a5c](https://app.education.nsw.gov.au/digital-learning-selector/LearningActivity/Card/599?clearCache=28b7801a-ba01-99c7-d34-aa9469772a5c)
* Money Smart property investment [moneysmart.gov.au/investing/property](https://www.moneysmart.gov.au/investing/property#pros)
* Money Smart shares [moneysmart.gov.au/investing/shares](https://www.moneysmart.gov.au/investing/shares)
* Money Smart risk and return <https://moneysmart.gov.au/how-to-invest/develop-an-investing-plan#jumpAnchor2>
* Money Smart investment warnings [moneysmart.gov.au/investing/investment-warnings](https://www.moneysmart.gov.au/investing/investment-warnings)
* Money Smart company director fraud [moneysmart.gov.au/investing/investment-warnings/company-director-fraud](https://www.moneysmart.gov.au/investing/investment-warnings/company-director-fraud)
* Money Smart illegal managed investment schemes [moneysmart.gov.au/investing/investment-warnings/illegal-managed-investment-schemes](https://www.moneysmart.gov.au/investing/investment-warnings/illegal-managed-investment-schemes)
* Money Smart investment seminars [moneysmart.gov.au/investing/investment-warnings/investment-seminars](https://www.moneysmart.gov.au/investing/investment-warnings/investment-seminars)
* Money Smart investment trading software [moneysmart.gov.au/investment-warnings/forex-trading](https://moneysmart.gov.au/investment-warnings/forex-trading)
* CommSec tactics for risk management for investment [commsec.com.au/education/learn/investing-basics/what-is-risk-versus-return.html](https://www.commsec.com.au/education/learn/investing-basics/what-is-risk-versus-return.html)
* Money Smart falling value [moneysmart.gov.au/investing/invest-smarter/problems-with-your-investments](https://www.moneysmart.gov.au/investing/invest-smarter/problems-with-your-investments#falls)
* ASIC dealing with insolvent companies [asic.gov.au/for-consumers/dealing-with-insolvent-companies/](https://asic.gov.au/for-consumers/dealing-with-insolvent-companies/)
* Money Smart investment scams [moneysmart.gov.au/investment-warnings/investment-scams](https://moneysmart.gov.au/investment-warnings/investment-scams)
* Money Smart investment advice [moneysmart.gov.au/how-to-invest/choose-your-investments#jumpAnchor2](https://moneysmart.gov.au/how-to-invest/choose-your-investments#jumpAnchor2)