

In the Classroom

Welcome to **In the Classroom!** Build an understanding of the SMG program's approach to teaching through **Our Philosophy** or jump right into planning your lessons through **Ready to Plan!**

Our Philosophy

Our Philosophy provides you with an understanding of the program's approach to teaching investment concepts.

[Click Here](#)

Ready to Plan

If you have visited the Teacher Support Center before, **Ready to Plan** gives you access to lessons, activities, assessments, and other resources for implementing the SMG program in your classroom.

[Click Here](#)



In the Classroom News

The English and Spanish language versions of the new issue of *In The News* are now available by clicking the "Publications" link in the purple **In the Classroom** section of the Teacher Support Center. We concluded this fall session with an issue looking at the future of energy and its potential

In the Classroom

In the Classroom is divided into two sections. The first section, **Our Philosophy**, describes the structure of the lessons and activities, outlining the design and the philosophy influencing that design. SMG is an interactive learning experience. Units, lessons and activities are designed to challenge students with from a range of experiences and knowledge about saving and investing. The unit and lesson design allows students to engage in more than one session in a school year or through the course of several school years, continuously improving their long term investing capability.

Ready to Plan, the second section provides the teacher access to lessons, reproducible activity sheets, standards, assessments and other resources which will enable you to enhance this experience for your students. This section provides a set of core lessons, those essential for successful participation in The SMG. The teacher background vocabulary and learning activities needed for each of these lessons is provided for each core topic. Teachers can use one or more of the activities allowing for maximum flexibility with minimum planning time.

Our Philosophy

Curriculum Design

The **In the Classroom** section of the Teacher Support Center is where you access classroom lessons and teaching materials. Lessons and teaching materials are organized into four SMG units:

- Before You Invest: The introduction of necessary background material for your students' first trades.
- Selecting Your Investments: Additional background information your students will need as they begin entering trades in their portfolios).
- Tracking Your Investments: Information on evaluating stocks and making buy and sell decisions.
- At the End of the Trading Session: The application of the critical thinking skills learned through SMG.

Each SMG unit contains lessons and materials organized into mastery levels. Mastery levels are distinct levels of investment knowledge. These levels are:

- Novice: First exposure to or limited knowledge of investing and The Stock Market Game
- Apprentice: Basic knowledge of investing and The Stock Market Game
- Master: Proficient knowledge of investing and The Stock Market Game
- Grand Master: Proficient knowledge of investing and The Stock Market Game and the ability to apply, synthesize, and evaluate that knowledge in new situations

Each grade has Novice through Grand Master level lessons and activities. Lessons are organized by the following grade ranges:

- Elementary: Grades 4-5
- Middle School: Grades 6-8
- High School: Grades 9-12
- Post Secondary: Grades 12 and up

Lessons identified as “Core” lessons teach fundamental investment topics. Topics include: *What is a Company? What is a Stock? What is Risk? and What is a Mutual Fund?* We have identified 12 core topics, we feel are necessary for successful participation in the SMG program.

All lessons, core and non-core, provide you with a background information on the topic being taught (Teacher Background) and ways for evaluating student learning (Assessments).

Concepts Defined

Below are terms that you should know to take full advantage of the features the Teacher Support Center offers.

Activities are designed to provide teachers with a concrete means for carrying out the procedures suggested in the lesson.

Aim in the lesson is usually a thought-provoking question to engage the students.

Assessment is a suggested method for evaluating student outcomes.

Core lessons cover the topics essential for successful participation in the SMG program. There are 12 core lessons.

Enrichment Activities are additional work to reinforce classroom instruction.

Mastery Level refers to the skill level or the level of familiarity a student has with the investment concept being taught.

Materials provides a list of items needed to implement the lesson.

Performance Objectives are outcome-based measurements meant to assess whether the aim of the lesson has been accomplished.

Procedure is an approach to teaching the lesson content that includes suggested questions and effective means for employing the activities included as part of the lesson.

Projects enrich the students' SMG experience. Projects are grouped as **Overarching** (designed to take students through an extended activity that may last two months or longer), **Unit** (designed to take students through an extended activity that reinforces the topics of a specific SMG unit), and **Topic** (designed to take students through an extended activity that reinforces a specific investment topic)..

Springboard Activity presents a suggested method for engaging students in the lesson.

Subject areas covered in the lesson include combinations of Social Studies, Economics, Mathematics, Information Technology, and Language Arts.

Teacher Background provides a brief description of the investment concept covered in the lesson.

Topics identify the investment concept being taught. Topics are organized by Unit.

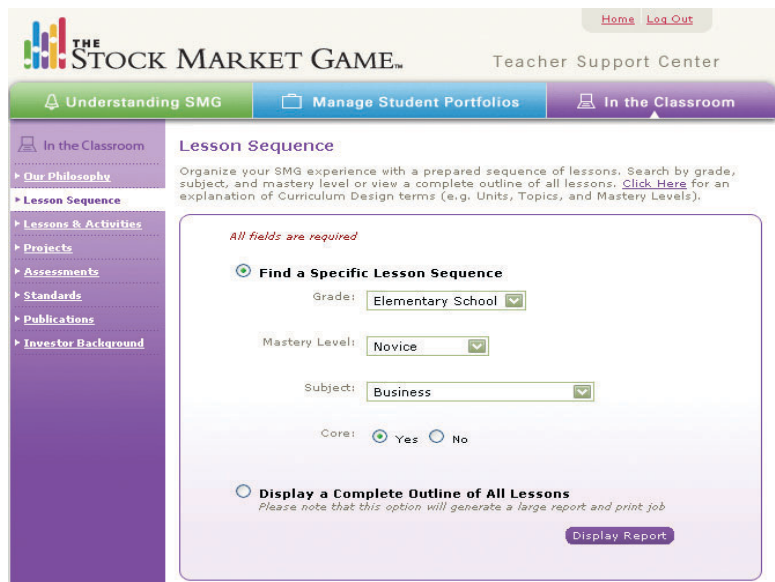
Units organize The Stock Market Game. There are four Stock Market Game units: Unit I, Before you Invest; Unit II, Selecting Your Investments; Unit III, Tracking Your Investments; and Unit IV, At the End of the Trading Session.

Ready to Plan

Lesson Sequence

SMG lessons are sequenced on each of the three grade levels: upper elementary, middle school and high school. While the lessons are designed to be used independently of one another, it is recommended that SMG Advisors who are new to the program or who have not had classes registered in the SMG program in a long while follow the suggested sequence.

Core lessons are lessons that address a specific investment topic necessary for successful participation in the SMG



The screenshot shows the 'Lesson Sequence' page in the Teacher Support Center. The page has a purple sidebar with navigation links: 'In the Classroom', 'Our Philosophy', 'Lesson Sequence', 'Lessons & Activities', 'Projects', 'Assessments', 'Standards', 'Publications', and 'Investor Background'. The main content area is titled 'Lesson Sequence' and includes a description: 'Organize your SMG experience with a prepared sequence of lessons. Search by grade, subject, and mastery level or view a complete outline of all lessons. [Click Here](#) for an explanation of Curriculum Design terms (e.g. Units, Topics, and Mastery Levels).' Below this is a search form with the following fields: 'Grade' (set to 'Elementary School'), 'Mastery Level' (set to 'Novice'), 'Subject' (set to 'Business'), and 'Core' (radio buttons for 'Yes' and 'No', with 'Yes' selected). There are two radio button options: 'Find a Specific Lesson Sequence' (selected) and 'Display a Complete Outline of All Lessons'. A note below the second option says 'Please note that this option will generate a large report and print job'. A 'Display Report' button is at the bottom right of the form.

program. Core lessons are repeated at each grade level. However, the lessons and activities vary based on anticipated skill level and understanding.

The core lesson sequence on each grade level is as follows:

1. What is a Company?
2. What is a Stock?
3. Identifying Ticker Symbols and Interpreting Stock Quotes
4. What is Risk?
5. How Does Money Grow Over Time?
6. Dividends and Earnings
7. What is an Exchange/Market?
8. What is Diversification?
9. What is a Mutual Fund?
10. What Causes Stock prices to Change?
11. Buy, Sell, or Hold?
12. How Successful Was My Investment Strategy?

Lessons & Activities

The **Lessons and Activities** section allows SMG Advisors to quickly locate lessons by topic or key word. Each lesson is designed to provide the necessary content background and vocabulary for teaching the lesson. A range of procedures differing in difficulty levels, assessment and application activities are also provided to determine student performance.

In addition to the core lessons described in Lesson Sequence, supplemental or non-core lessons are available in Lessons & Activities. Non-core lessons allow SMG Advisors to further customize the SMG experience for their students.

These lessons explain aspects of saving and investing in greater depth than the core lessons. Each lesson is designed to encourage flexible planning to meet the needs of your students. A sample high school lesson, *Getting Started in The Stock Market Game* follows.



Getting Started in The Stock Market Game™

Suggested Grade & Mastery Level

High school - all levels

Teacher Background

Students in The Stock Market Game

In The Stock Market Game (SMG) teams of students work together to create and manage a virtual investment portfolio of real world stocks and mutual funds. Each team researches and evaluates companies in which to invest. Teams must also manage their investments by deciding whether to buy, sell, or hold the funds and stocks in the portfolio they have created.

The research they use to make their investment decisions is easily accessible through the Investor Research and News Update links in their online portfolios. Additional research and news is available at the Web sites listed in the Outside Links section of their portfolio. Support and additional education resources are available by clicking the yellow question mark on the corner of their portfolio's blue Trading tab and through the links immediately below their Team Information box on their portfolio's Welcome page: *Path to Investing*, *Dictionary of Financial Terms*, and *Rules of the Game*.

In addition to working in the online portfolio and researching their investments, each student is encouraged to keep a journal. The journal can contain a combination of minutes from a team meeting, research notes, and reflective entries.

Teachers in The Stock Market Game

The confirmation message you receive when you have successfully registered for The Stock Market Game (SMG) contains your SMG Advisor ID and password. Visit The Stock Market Game homepage (www.stockmarketgame.org) and login for access to the Teacher Support Center. The Teacher Support Center provides you with a library of lessons, activities, tutorials, and other tools for implementing the SMG program with your students. It is organized into three main sections: *Understanding SMG*, *Managing Students Portfolios*, and *In the Classroom*.

The SMG program's teaching materials support each student's financial literacy development by providing you with lessons differentiated by knowledge and skill level. The program also provides you with rubrics and pre/post tests to use to assess your students progress. Each lesson also has an assessment component.

Teaching The Stock Market Game

This introductory lesson is designed to help students understand how trades are made, how investment strategies are developed and how stock purchase prices are determined in The Stock Market Game.

Vocabulary

The Stock Market Game (SMG) - An investment education program with applications for teaching core academic subjects such as math, English Language Arts, economics, social studies, technology, and business.

SMG Journal - Student journal to record decision-making process and summarize important information as they play the game.

SMG Portfolio - Record of investments and their current value, history of investments with prices of sales, cash on hand, and money borrowed.

Teacher Support Center - Teacher reference and resource center for implementing the SMG program in the classroom.

Ticker Symbol - One to five character symbol used to represent a company when you are buying or selling stock.

Trade - Procedure for buying or selling a stock in a group's SMG portfolio.

Performance Objectives

Students will be able to:

- Understand the purpose of the stock market game and how a team can be successful.
- Log on to their accounts, access research information, and make a first purchase of a stock and/or mutual fund.
- Accurately estimate the cost of purchasing a share of stock, including the fee.
- Reach consensus as a group about their first investment decision.
- Set up and begin to use student SMG Journals.
- Evaluate each team's first purchase decision based on accessing key information through their account.

Subject Areas

Math, Economics, Social Studies, Business Education, and English

Materials

- SMG IDs and passwords (These will have been sent to you by your SMG coordinator after your registration has been processed.)
- SMG Handouts: "Enter the SMG" and "Trading the Stock Market Way"
- Internet Access
- Notebook or computer space for student writing
- Template for "Student Journal"

Springboard Activity

Arrange students in their SMG teams and explain that each group is going to be given a virtual check for \$100,000 to spend the money on whatever products or services the team agrees want to purchase.

ASK

- How you will spend the money? Make a list and total your expenditures.
- What group process will your group use to decide how to spend the money.

Have each SMG team present their list to the class and describe their decision-making process.

Once all the teams have reported allow the teams to meet to discuss how they might change their list or decision-making process.

Procedure

Display the Welcome screen of The Stock Market Game homepage (<http://www.stockmarketgame.org>) on an overhead or big screen as an orientation for the student. Explain that each team will be given a virtual \$100,000 cash account to invest in stocks and mutual funds the goal of which is to increase the value of the portfolio.

Distribute and review the handout "Enter the SMG" and show students where to sign on using their SMG team IDs and passwords. If you wish, you may show your students how to change their passwords using the CHANGE PASSWORD section. They should record their new password in their journals or in another safe place, so they will not forget their passwords.

Have each team review their list of how they wanted to spend their \$100,000 as well as their decision-making process. Tell each group that they will now be using that same process to make a decision about their first portfolio purchase.

Have the students decide on a company that sells something from the list they created for the Springboard Activity or a company which sells things they might actually purchase such as Apple, which sells the Ipad, or General Motors which sells Hummers.

Students can look up the ticker symbol for their company in the Investor Research section of their online SMG portfolio. Once they have located the ticker symbol for the company they wish to invest in, have them read Rules of the Game under the Team Information section.

Ask

- How many shares must your team's initial purchase be? (100)
- What percentage broker's fee will you be charged for each purchase? (2%)

Then have students calculate the estimated price they will pay for 100 shares of their chosen stock. They should use this formula:

$$(\# \text{ of shares}) \times (\text{price per share}) = (\text{cost of stock}) + .02 \times (\text{cost of stock}) = (\text{final stock cost})$$

Be sure to tell the students that the price of the stock may vary a bit since the SMG may use a selling price later in the day than when the students researched the price. You also need to explain that the .02 represents the cost charged by the brokerage account to perform the purchase. Thus this will represent an estimated cost of the stock.

Students can now execute purchase of the stock. Distribute the "Trading the Stock Market Game Way" handout and have your students follow the process to complete their purchase, starting with the Enter A Trade link in the **Trading** section of the site.

Inform the students that for now they will only be entering a **Buy** and they should ignore directions for **Short Sell** and **Short Cover** as well as the **Limit** options for now.

Explain that they will be making more purchases and trades as they learn more about different companies, stocks and mutual funds over the length of the session

Assessment

When the class meets next have students log on and survey their Account Summary, Account Holdings, and Gains and Losses. They now will be ready to complete their first SMG Journal to record and reflect on what took place. Their SMG Journals might look something like:

SMG Journal SAMPLE

Name of Team/Team Members:	The Hornets: Benny, Maurice, Fred, and Alice
Date	Remember our password is “gogetem” (if likely to forget) 00/00/0000
Purpose of Group Meeting:	To introduce SMG and buy our first stock
Describe actions taken	It cost us \$2.10 to buy the stock. We never thought about paying a fee to buy the stock so our estimate was not correct
Research	We looked up the ticker symbol for Toyota and found out it was TM, which made sense. We also found out that the price of the stock was \$105. There was a lot of other information there but we really didn't understand much of it. There was an arrow going up so we thought that meant the price was going up.
Decisions	We were having a lot of trouble at first because Fred bossed everyone around and Alice told everyone his or her ideas were “stupid”. After we got tired of arguing and saw how well others were working together, we appointed Benny as our leader because he gets along well with everyone. With Benny in charge we were able to get more work done and spend less time bickering. We chose to buy stock in Toyota because their new cars have hybrid engines and we think their cars look “cool”.
Conclusions	Although it seemed as if our group was going to be a disaster at first, we can see now that if we cooperate and work with Benny, we can be successful and maybe even win the game. The site is easy to use and it is great how it shows our rankings weekly.

Enrichment Activity

Novice and **Apprentice** Levels:

Using the [Investor Research](#), students could research *one* mutual fund to invest in. Information on how to teach about Mutual Funds is available in the *Teacher Support Center*. They then would complete a **Buy** for one mutual fund for their portfolio.

Student teams would then record their reaction to their decision-making process in their SMG Journal, as they did with their initial stock purchase.

Students could also write a comparison between investing in a stock and investing in a mutual fund.

Master and **Grandmaster** Levels:

Students can now build on their experience in buying one stock to compare buying individual stocks with buying a mutual fund. Information on how to teach about mutual funds is available in the *Teacher Support Center*.

Students can access information about different mutual funds by going to [Investor Research](#). Students might want to create an experiment where they compare the results of investing in one mutual fund over a week to investing in one stock from that mutual fund. At the end of the week, students should record their results in their SMG journals and also decide at that time if they want to buy shares of that stock or mutual fund. Students will note that there is a special Mutual Fund section of their portfolio.

ENTER THE SMG

On the right side of THE STOCK MARKET GAME home page (<http://www.stockmarketgame.org>) you will find a login area asking you to enter your Team ID (also called User Name) and Password. Once you have entered this information, click Submit. If you have entered the requested information correctly, you will be taken to the Welcome page. On the right hand side of this page, is a table titled, “Team Information.” Please check the Advisor, Team ID, School, and Region categories for accuracy -- especially the Region. If the information is NOT correct, notify your SMG coordinator immediately.

Already Registered? Log In!

Username:

Password:

[Need help?](#)

NOTE: For security, The SMG site automatically logs you off after 15 minutes of



The screenshot shows the Teacher Support Center interface. At the top, there is a navigation bar with links: Get Started, Manage Student Portfolios, In the Classroom, Learning Resource Center, and Log Out. Below this, the page is titled "Teacher Support Center" and welcomes "Ralph Morano". A "Team Information" table is visible on the right side of the page:

Team Information	
Advisor:	Ralph Morano
Team ID:	SIA_60_A34
School:	FIE
Region:	End of Day
Region Trade Type:	END OF DAY
Rules of the Game	

NOTE: The Welcome page you see when entering a student ID and password differs from the page you see when you enter with an Advisor ID and password.

At the bottom of your screen are four icons (you may have to scroll down to see them):

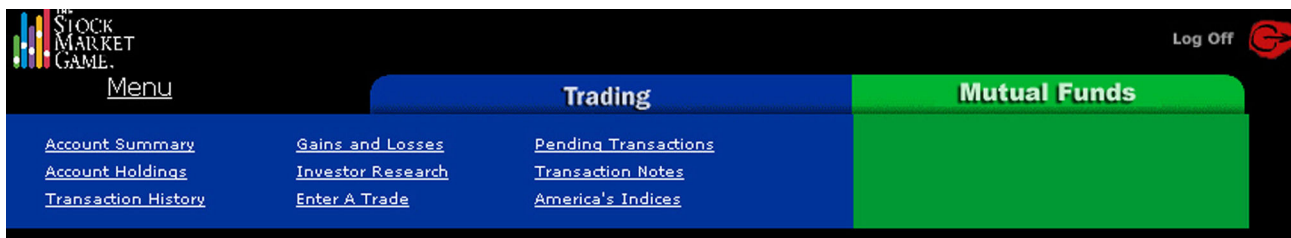
RANKINGS list active team portfolios based on either equity or percent change compared to the Standard & Poor’s Index. Teams may view themselves against teams in their same Region or against all of the teams registered in their local SMG Program.

OUTSIDE LINKS directs SMG teams to several commercial and exchange investment research web sites that enhance the SMG Program. Links include the New York Stock Exchange homepage, NASDAQ, and Hoovers.com.

The **LEARNING RESOURCE CENTER** is not available to student team participants. The link appears in portfolios associated with 3-week demonstration/promotional trading sessions and adult/college/teacher participants.

Click on **CHANGE PASSWORD** to customize the password assigned to you. It is recommended that teams change their passwords to something easy to remember. They will need their passwords to confirm all trades. Please do not give your Team ID and password to anyone whom you do not wish to have access to your portfolio.





THE MAIN MENU

ACCOUNT SUMMARY provides you with a financial summary of your portfolio. Important information such as total equity of the portfolio and buying power can be found here.

ACCOUNT HOLDINGS is a list of all open positions in a portfolio. It includes both Long Positions (stocks that are bought) and Short Positions (stocks that are short sold). It lists the ticker, number of shares, the original cost per share, the net cost (after broker fees are taken out), the current price, the current value (number of shares times current price) and the unrealized gain or loss with the percent gain or loss.

TRANSACTION HISTORY provides you with a list of all processed trades. You are shown the type of trade, number of shares, ticker, date, cost per share, net amount of transaction (including broker fees), and the amount of the broker fees. Other types of transactions that are included are interest paid at 5% of cash balances, dividends paid on individual stocks (if paid during the time the stocks are held), and interest paid on margin loans at 7%.

GAINS AND LOSSES is a list of all realized gains or losses from the sale or short cover of stocks. Gains (or losses) only become realized when a stock position is closed, either sold or short covered. Interest received or paid and dividends received are also considered realized gains or losses. Any stock that is still held in your portfolio will not be listed on this page; gains and losses for stocks still held in the portfolio are unrealized.

INVESTOR RESEARCH is a starting point for teams to research stocks, look up ticker symbols, and get updated quotes (approximately 20 minute delay) on stocks prices.

ENTER A TRADE is where you complete all of your buy/sell transactions. Please note that as a security measure, you are automatically logged out after 15 minutes of inactivity. If you should happen to be logged out, simply return to THE STOCK MARKET GAME home page and reenter your username/id and password.

PENDING TRANSACTIONS consists of all trades that have not yet been processed. Trades entered before the markets close will appear in Account Holdings the next day. Trades entered after the markets close (4 pm, Eastern time) will receive the following day's closing prices and will continue to appear in Pending Transactions until the following day. The delete option to the right of each pending transaction may be used only before the markets close on the day the closing prices are to be obtained.

TRANSACTION NOTES includes a list of all trades that were attempted, whether or not they were executed. If not executed, an error message will appear to the right of the listing. It is important to look in both Transaction History and Transaction Notes for a complete history of all trading activity.

AMERICA'S INDICES is a list of several major indices like the NASDAQ Composite Index, the NYSE Composite Index, the S&P 500 Index, etc., and is updated during the day with an approximate 20-minute delay.

NEWS UPDATE provides access to up-to-date financial industry news and announcements. Access news by clicking the News Update link on each page of the team portfolio except the Welcome page.

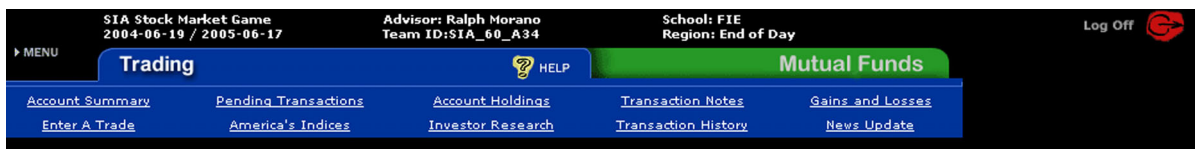
HELP pages are available in each section of the team portfolio except the Welcome page. Click the question mark icon on the blue trading tab for access.

Trading The Stock Market Game Way

Before you begin buying and selling in The Stock Market Game™, please take a moment to explore the elements involved in making a trade. It is a good idea to visit the **HELP** section in **Enter a Trade**. There are Help sections throughout your Stock Market Game portfolio. You can visit these sections by clicking on the “glowing” question mark.

1. Decide on the kind of trade you want to make and click in the appropriate circle. **Buy** and **Sell** are common and straightforward transactions. **Short Sell** and **Short Cover** require a little more explanation. A short sell occurs when stock is borrowed and sold with the intention of buying it back at a lower price. Usually a short sell stock is not kept for a long period of time. When the stock is bought back and returned to the lender the transaction is called a “short cover.”
2. Enter the **Ticker Symbol** (1 to 5 characters depending on the exchange). If you do not know the ticker symbol, you can click on **Ticker Symbol** to the left of the box to look it up. If you want to be sure you have entered the correct symbol, click **Validate Ticker** and a new window will appear with the company name and a 20-minute time delayed price quote.
3. By default, your **Order Type** selection is set to “Market.” This means your transaction is subject to the current day’s closing price, if you are participating in the end-of-day version. In the Intraday or “real time” version, you would receive the price at the moment the trade was recorded. The markets close at 4:00PM Eastern time. If you trade after the markets close in the end-of-day version, you will receive the next day’s closing price. In the Intraday or “real time” version, you receive the next day’s opening price. If you select Market, please leave the **Limit Price** blank.

The other **Order Type** option is “Limit.” Choosing this option will allow you to specify the highest price you will accept on a Buy or Short Cover. Limit also allows you to specify the lowest price you will accept on a Sell or Short Sell. The price limit must be entered as a decimal with no dollar sign.



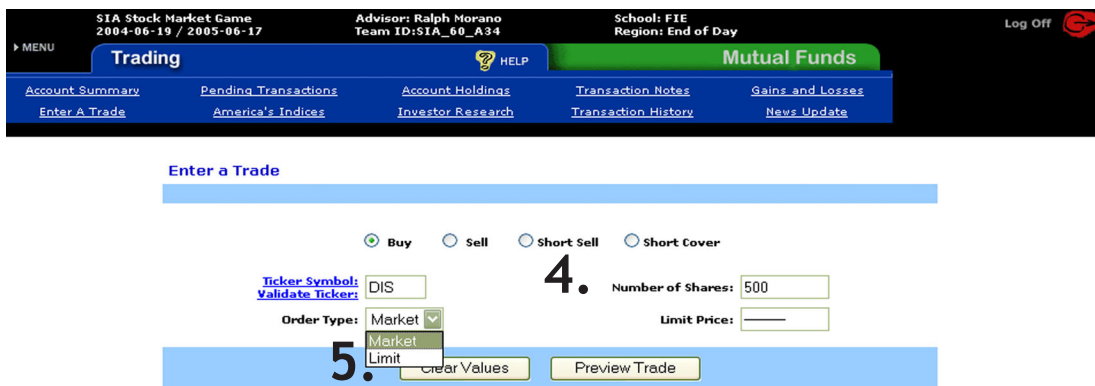
Enter a Trade

1. Buy Sell Short Sell Short Cover

2. Ticker Symbol: Number of Shares:

3. Order Type: Limit Price:

4. Enter the **Number of Shares** you wish to trade. The minimum number allowed for Buy orders is 100. If you enter a number smaller than 100, you will be prompted to enter an amount of 100 or more. There is no minimum on Sell orders.
5. Click on **Clear Values** to reset your transaction and start over or click **Preview Trade** to view your transaction and proceed with submitting it.



6. When you click on **Preview Trade**, you are shown the transaction you just entered. Review it carefully. If it is correct, enter your password in the appropriate field and click **Confirm Trade**. If it is not correct, select **Edit Trade** to re-enter your trade.

6. Trade Order Preview



Your transaction will not be processed unless you click **Confirm Trade**. Upon confirming your trade, a new screen appears with a Trade Order Confirmation number and the option to view **Pending Transactions** or **Enter Another Trade**. Select view **Pending Transactions** to view the trade you have just entered. Select **Enter Another Trade** to enter another transaction. You may also select one of the available functions from the blue Trading tab at the top of the screen.

SMG Journal Suggested Template

Name of Team/Team Members: Code + Password (If likely to forget)	
Date/ Class	
Purpose of Group Meeting:	
Initial Observations: Current Account Values/Changes Related News Events Questions	
Research Gathered:	
Decisions Made/ Reasons for Decisions	
Final Reflections:	

Projects

Enrich your students' SMG experience by engaging them in an SMG project. Projects can be completed over the course of the SMG trading session or at the end. They are designed to extend and apply the knowledge and skills students have acquired through The Stock Market Game. You may select from three types of projects: Overarching, Unit Based, and Topic Based.

Assessments

Each SMG lesson has an Application and Assessment piece written into it. To further assist you in assessing the progress of your students, the SMG program provides you with several rubrics, pre-tests, and post tests. Pre and post tests are organized by their SMG unit (Before You Invest, Selecting Your Investment, and Tracking Your Investment). Rubrics are organized by task, whether it is a single student or a team being assessed, and whether it is a self assessment or a teacher assessment.

Standards

The Stock Market Game's core lessons are correlated to national and state standards in business education, economics, English Language Arts, family consumer sciences, mathematics, social studies, and technology. For your convenience standards correlations are presented in a matrix format. Click the asterick above the standard code to access a description of the standard. Click the lesson name to display the lesson.

The screenshot shows the 'Standards' section of the Teacher Support Center. It includes a search bar and a matrix of correlations between SMG lessons and national mathematics standards. The matrix is titled 'Standards and Correlated Documents for National, Mathematics, High School'. The columns represent standard codes (e.g., M001A, M001B, M001C, M002A, M002B, M002C, M005A, M005B, M005C, M006A, M006B, M006C, M007A, M007B, M007C, M008A, M008B, M008C, M009A, M009B, M009C, M010A, M010B, M010C) and the rows represent lesson names (e.g., Company - HS, Stock - HS, Money Grow - HS, Risk - HS, Dividends - HS, Funds - HS, Exchanges - HS, Tickers - HS, Diversify - HS, Sell/Hold - HS, Price Change - HS, Strategy - HS). Asterisks above the standard codes indicate that a description is available for that standard.

Publications

In addition to lesson plans, the SMG program provides you with a variety of supplemental materials to use with your students. These publications contain additional lessons and activities, background information, and current events tie-ins. *In the News* and *StockTalk*, the SMG program's newsletters, are two examples of the supplemental materials available to you. Utilizing the SMG program's supplemental materials with your students helps to enrich their SMG experience.

Investor Background

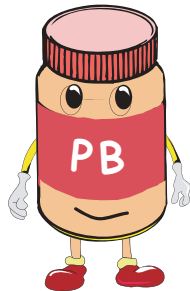
The goal of the Investor Background section is to provide you with a brief understanding of the stock market, its founding and its role in the US economy. The Investor Background section of the Teacher Support Center is divided into four main links:

- History of the Stock Market
- Mechanics of the Stock Market
- Securities
- Dictionary of Finance



The first thing Mike does when he gets home from school is find something to eat. One afternoon he was thinking of things that go together like the peanut butter and jelly he was using to make a sandwich. Let's see, he said to himself, salt and pepper, chips and salsa... "What about risk and return?" asked a strange voice.

Food for Thought



Suppose you invest \$500 in stocks, and one year later its value has grown to \$530 because of higher stock prices and dividends. What is the annual percentage return on your investment?

Mike couldn't believe his eyes. There was the jar of peanut butter — with eyes, arms, and legs.

"PB at your service," it said. "I'm here to fill your brain as well as your stomach. I'd like to explain why risk and return go together like peanut butter and jelly."

I must be dreaming, thought Mike.

"Let me explain," said PB. "A return is what you earn on an investment. Let's say you invest \$100, which then grows to \$110 after one year. You would have earned \$10, which is a yearly return of 10% on your \$100 investment."

"What about risk?" asked Mike.

"Risk is the likelihood of losing money," explained PB. "If you want a return on your investment, you've got to accept some risk."

"Aren't there investments without risks?" asked Mike. "What if I put my money under my mattress?"

"You're not really investing," explained PB, "because you're not putting your money in anything that can give you a return. But even hiding money under your mattress is risky. Someone might steal it, or a fire could destroy it. And inflation might shrink its buying power by pushing up the prices of what you eventually buy with your money."

"I hadn't thought of that," said Mike. "If I'm going to take risks with my money, I might as well earn a return."

"Think of investing as accepting risk so your savings will have the potential to earn money. The higher the potential return, the more risk you're likely to have."

"So all investments have some risk," concluded Mike.

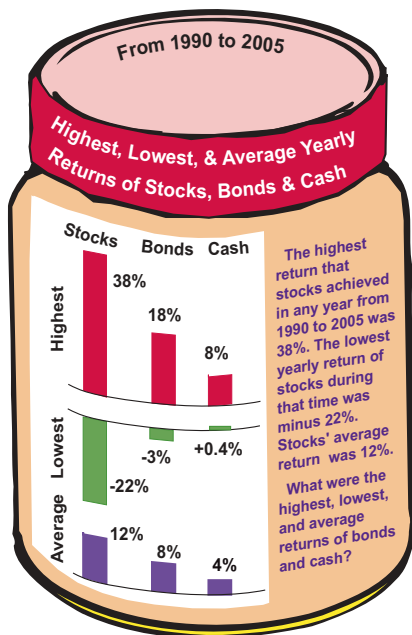
"Exactly! Take a look at this," said PB, while removing its label. "The other side of my label describes different types of investments."

Mike carefully read the label. (See box at right.) "I can see that before I invest, I'll have to decide how much risk I'm willing to accept," he said.

"Right. And that depends on your goals for saving and investing," explained PB. "If you'll want the money in the near future, you won't want to take big risks with it. But if you're saving over a long period of time, you can accept bigger risks."

"And aim for a bigger return?" asked Mike.

"Right. Here's an illustration," said PB, pointing to a chart that was uncovered when PB removed its label.



Stock returns are for S&P 500 (<http://www2.standardandpoors.com>); Bond returns are for Lehman Brothers Aggregate Bond Index (<http://www.lehman.com/fi/indices/>); Cash returns are average money market rates (<http://flagship5.vanguard.com/VGApp/hnw/FundsHistoricalReturns?FundId=0030&FundIntExt=INT>).



"The chart compares the risk and return of stocks, bonds, and cash from 1990 through 2005," continued PB. "Which type of investment had the highest return during any year from 1990 to 2005?"

Here's what Mike read on PB's Label

Cash (Low risk and potential return)

"Cash-like" investments that can be quickly and easily exchanged for cash whenever an investor chooses. Examples are bank savings accounts and money market mutual funds. Returns of cash investments depend on the periodic interest they pay. These returns are relatively stable from year to year.

money back. Returns depend on the interest rate bonds pay and any changes in bond prices. Bond returns usually rise and fall more than cash returns. Bond mutual funds enable people to invest in bonds while also reducing risk through diversification.

Bonds (Medium risk and potential return)

IOUs that a company or government sells when it borrows money. Borrowers are required to pay interest on bonds, although some companies might fail and be unable to do so. Bond investors wait longer than cash investors to get their

Stocks (High risk and potential return)

Shares of ownership in a company. Companies don't have to pay back the money investors put into stocks. Stock returns depend on any dividends companies pay and on changes in stock prices. Stock returns jump up and down much more than the returns of bonds or cash. Stock mutual funds and exchange traded funds enable people to invest in stocks while also reducing risk through diversification.

"Stocks," answered Mike. "They had a return of 38% in one year."

"Which type of investment had the lowest return in any year?" asked PB.

"Stocks again," replied Mike. "They lost 22% in one year."

"Stock returns jump up and down much more than those of bonds or cash," said PB, "so I call them chunky. Cash returns are the most stable, so I call them smooth."

"So stocks are the riskiest, and cash is the safest," concluded Mike. "Bonds are somewhere in between. I guess they're a mix of chunky and smooth."

"That's right," agreed PB. "But notice what happens in the long term if an investment is held for many years. Which type of investment had the highest *average* return over the entire period of 15 years?"

"Stocks," observed Mike. "Now I see what you mean. Stocks are the riskiest in the short term, but they also offer the highest potential return over the long haul. If I want a higher potential return, I'll have to accept more risk."

"Like I said," smiled PB. "Risk and return go together like peanut butter and jelly."

Write Now

Pick one of the following and write a paragraph to explain your answer.

Suppose you're saving for something in the next year or so. Would you invest in stocks, bonds, or cash? Why?

Suppose you're saving for something way off in the future, such as retirement. Would you invest in stocks, bonds, or cash? Why?

A Bigger, Better Board

by Bill Dickneider

Here's a quiz you might want to try on your friends. Which of the following best describes the Big Board?

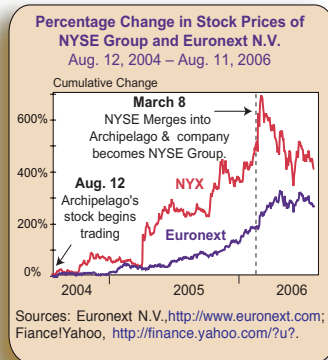
- A) A government agency that monitors companies' earnings reports.
- B) The New York Stock Exchange.
- C) Pixar's forthcoming animated movie about a talking stock.
- D) A nickname for the Federal Reserve.

The answer is B, the New York Stock Exchange. The New York Stock Exchange (NYSE) is the oldest stock market in America. Its roots trace back to 1792, when a group of brokers began auctioning stocks under a buttonwood tree in New York City.

The auction market evolved over the next 200 years into a sophisticated trading floor on Wall Street. Today it lists nearly 2,700 companies worth a total of more than \$20 trillion. On an average day it trades about 1.8 billion shares, whose market value equals nearly \$70 billion.¹ No wonder it's been nicknamed the Big Board.

Since its inception, the NYSE has been a private company owned by its members. In March 2006, this changed. The NYSE merged with

an electronic stock market named Archipelago Holdings to form the NYSE Group. As a result of the merger, the NYSE went public and now trades as the NYSE Group under the stock symbol NYX.



Auction Action

The Big Board's trading floor in New York City is an important part of the new company. It hosts an auction market not unlike the one occurring under the buttonwood tree many years before. Orders arrive on the trading floor via a computerized system. The orders are then routed to one of 20 trading posts, each with a *special-*

ist who oversees the auction of 100 or more stocks assigned to that post. The "trading crowd" that gathers at each post consists of brokers representing buyers and sellers. These brokers shout out the *bid prices* buyers are willing to pay and the *ask prices* sellers are willing to accept. The result is an auction market. Brokers match the bid and ask prices of buyers and sellers and complete the trade at the matched price.

One of the advantages of the auction market is its potential to provide better prices for investors. Price improvement can occur because the market collects offers from buyers and sellers all over the world and centralizes them in one location. Specialists can then search among all these offers to find the best price possible for buyers and sellers of a particular stock.

Another advantage is a smoother ride for stock prices. Specialists are responsible for providing "a fair and orderly market," so they sometimes buy or sell stocks on their own account to fill orders that would otherwise lack enough

buyers or sellers. By supplementing demand or supply in these cases, specialists can smooth out the daily ups and downs of stock prices. These actions also help investors who want to trade infrequently-traded stocks that may lack enough buyers or sellers to complete a particular order.

Electronic Tonic

Electronic markets don't offer the personal matchmaking of the Big Board's exchange floor. But they are faster, with most trades taking well under a second. Being faster and simpler, the computerized collection and matching of orders is usually less costly. The greater speed and lower cost are very important to mutual funds and other large institutional traders. With their sophisticated computers and large and frequent orders, institutional traders usually prefer the lower costs and lightning-fast trades of an electronic stock market.²

This preference for speed and lower cost has become more important in recent years, because investors today own a larger share of their stocks indirectly through mutual funds, exchange-traded funds, pension funds, and other large institutions. As investors have increased their stockholdings through these institutions, electronic trading has grown rapidly.

Hi, Hybrid!

The Big Board has taken notice of the growing electronic trading and has begun to make changes of its own. One of the biggest is the introduction of its *Hybrid Market*.³

The Hybrid Market has two separate parts. One is the trading floor's auction market, and the other is an electronic trading system known as Direct+. This automated system now accounts for more than 15 percent of all daily trades, or more than 250 million shares a day.⁴ But these numbers will surely rise as the Hybrid Market increases the capacity and speed of Direct +.

Investors who want the quickest possible trades can have Direct+ complete their orders in less than a second. Other investors seeking the best possible prices can direct their orders to the NYSE's trading floor. Here, the personal matchmaking of brokers and specialists offers the chance of price improvement.



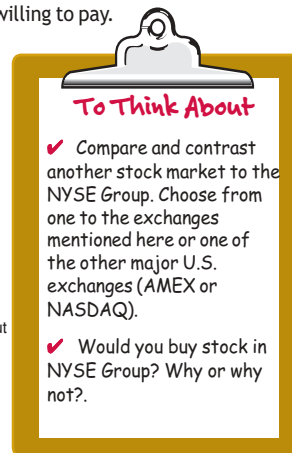
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Learn about our exciting new national essay contest - InvestWrite - Visit www.investwrite.info.

Next Up

As the Hybrid Market improves both the auction market's trading floor and the electronic trading of Direct+, it will give investors more choice, faster trades, and better prices. But the Hybrid Market isn't the only change the NYSE Group is making. Looking to expand its global reach, the NYSE Group has agreed to buy Euronext NV, a Pan-European stock exchange that includes Paris, Lisbon, Amsterdam, and Brussels.⁵

If approved by stockholders and government regulators, the merger would extend the NYSE Group's market across the Atlantic. The new company, NYSE Euronext, would become the world's largest stock market, with daily trading that could top \$100 billion and listed companies worth over \$26 trillion.⁶ "Our market will be multi-product, multi-currency, multi-time-zone, geographically diversified — truly global," commented John Thain, Chief Executive of NYSE Group.⁷ The new company would have stock exchanges in various countries, so each government would continue to oversee the stock market located within its borders. In the U.S., for example, the Securities and Exchange Commission (SEC) would maintain its regulation of NYSE Group.

The Big Board's efforts clearly show how stock markets are becoming highly competitive, global enterprises. Just like the companies they list, stock markets prosper by offering customers the services they want at prices they're willing to pay.



1. NYSE Group, Inc., 10-K for fiscal year ended December 31, 2005, U.S. Securities and Exchange Commission, <http://www.sec.gov>.

2. Electronic stock markets are called electronic communication networks, or ECNs.

3. See Frequently Asked Questions about the Hybrid Market at: <http://www.nyse.com/marketinfo/hybridmarket/1126821290257.html>.

4. Frequently Asked Questions About the Hybrid Market.

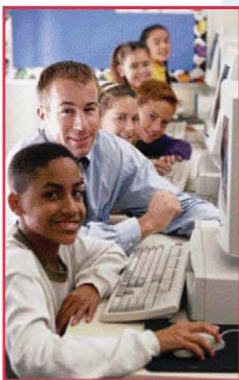
5. Also included is the London International Financial Futures and Options Exchange (LIFFE), which trades options and other sophisticated investments.

6. Alistair Barr, *NYSE, Euronext Unveil Merger Agreement*, MarketWatch, June 2, 2006, <http://www.marketwatch.com>.

7. *Marketplace*, American Public Media, May 22, 2006, <http://marketplace.publicradio.org/shows/2006/05/22/PM200605222.html>.



InvestWrite is a highly successful extension of The Stock Market Game program designed to help students sharpen critical thinking skills as they compose essays on investment related topics. The program builds a bridge between classroom learning and potential real-world investment decisions. Students are provided a topic and an investment scenario, which requires them to assess, research, and then formulate possible solutions based on their own findings, logic and ideas.



“Outstanding program! I have been teaching the Stock Market Game for 17 years. Investwrite is a great way to tie all of the learning together. Thank you for the chance to participate.”
InvestWrite Teacher (Pennsylvania)

Do You InvestWrite?

InvestWrite is an innovative national writing competition, produced by The Stock Market Game program that adds another critical thinking component to help reinforce the concepts learned in the classroom.



InvestWrite provides students in The Stock Market Game program with a way to demonstrate what they are learning in the classroom by asking them to respond in a thoughtful way to a specified “real life” investing situation.



“InvestWrite is a great opportunity for students to articulate the knowledge they have gathered about the stock market and the importance of saving and investing for long-term goals. Great program!”
InvestWrite Judge (Missouri)

For more information visit
www.investwrite.info

How to InvestWrite

Suggested Grade & Mastery Level

High School - Novice and Apprentice

Suggested Time

Two 50-minute class periods

Teacher Background

Every student with an active team portfolio ID and password may participate in *InvestWrite*. *InvestWrite*, an innovative writing competition produced by The Stock Market Game program, adds a critical thinking component to help reinforce concepts learned in the classroom.

Students in *InvestWrite* are asked to apply the knowledge and skills they gained through The Stock Market Game to different investment questions. The questions are grouped into elementary, middle, and high school. The questions also address a wide range of essay types (e.g. contrast/compare, cause/effect, argumentative, narrative, etc.) and strategies. Student essays are 700 words or less.

The *InvestWrite* writing competition is supported by regular opportunities for students to write. Writing exercises and prompts can be found in The Stock Market Game's lesson plans and newsletters. You may access these teaching resources in The Stock Market Game's Teacher Support Center. Login with the Advisor ID and password you received when you registered.

Go to <http://www.stockmarketgame.org> to login.

For detailed information about *InvestWrite* visit <http://www.investwrite.info>.

Vocabulary

Closing: Concluding paragraph or statement of an essay that summarizes the writer's opinion or answer to the essay question.

Draft: A first attempt at composing an essay. The goal of a draft is for the author to capture the ideas he or she feels is important to the reader. The draft is then edited to focus on the strongest points being made. An essay usually goes through several drafts before it is submitted.

Essay: A written composition no more than 700 words responding to the investment question posed for a specific grade level.

Evidence: Citation(s) from reading(s) that support the concepts and ideas expressed by the writer.

InvestWrite: An innovative national writing competition, produced by The Stock Market Game program, adds a critical thinking component to help reinforce concepts learned in the classroom.

SMG Writing Organizer: A visual template to assist writers with organizing their essays.

Supporting Facts: Concepts and ideas from the reading(s) that support(s) the writer's opinion or answer to the essay question.

Performance Objectives

The students will be able to:

- Identify the main idea/main problem in an *InvestWrite* question.
- Write an essay that informs and/or persuades its readers.
- Use appropriate grammar, spelling, structure, and language to convey intent.

Subject areas

English Language Arts, Social Studies, Economics

Materials

- InvestWrite essay: **The Investment Race**
- SMG Writing Organizer
- InvestWrite Assignment sheet

Springboard Activity

Ask students to create a list of the things they have learned about saving and investing through The Stock Market Game. Share the lists with the class and compile a class list.

Explain that they will have the opportunity to demonstrate what they have learned by writing an essay in response to an InvestWrite question. Distribute InvestWrite Assignment sheet or visit the InvestWrite web site for the essay question (<http://www.investwrite.info>).

Use the Assignment sheet or Web site to explain the InvestWrite Contest.

Procedure

Reading Before Writing

Distribute copies of the InvestWrite Winning Essay and highlighters. Ask students to read the essay highlighting important information/point being made by the author.

Discussion Before Writing

ASK

- What are some of the points (details) the author makes in the essay?
- What is the main idea of the article?
- Why did the author choose to highlight those particular details?
- What conclusion does the author offer?

Explain that the students will be writing an essay that answers the InvestWrite contest question which was reviewed earlier.

Read the background and question for the InvestWrite contest aloud and review what it is asking.

Organizing Before Writing

Distribute the SMG Writing Organizer to the students and display one on overhead. Together fill out the organizer brainstorming ideas in response to the InvestWrite background and question.

Developing an Outline

Have the students use the SMG Writing Organizer to develop the outline for a three- paragraph essay. They should be encouraged to develop an engaging opening, provide a thesis sentence, supporting facts with evidence from the background or other sources, and a conclusion.

Assessment

Draft Writing

Have the students use their ideas to write an essay using a three-paragraph structure in response to the InvestWrite contest prompt.

Application

Final Writing

Once the drafts are completed the students should get feedback to make final correction to their essays. Students should be given an opportunity to share their essays before you collect for grading/feedback.

Enrichment

Distribute a recent newspaper editorial to the students. Working individually, ask them to contrast/compare the editorial to their essays. Have the students rewrite their essays into editorials and submit to either local newspapers.



QUESTION

Pick a sector of the economy that you feel will do well, or not do well over the next five years. Some examples of sectors other than transportation are: healthcare, financials, energy, technology, and consumer goods. Think about business and world events that may affect your sector during the five-year period. Find out what sector analysts are saying about your sector. By doing research, describe why you feel your sector will do well or not do well in the next five years. (Hint: Mutual fund companies often have sector funds, which you can look at to track performance, along with other research.)

A Healthy Investment

It is pretty hard to predict the future, but if I had to choose an investment market sector that would increase in value over the next four years, it would be the health care sector. The health care sector includes: biotechnology, pharmaceuticals, medical, and managed care providers.

Demographic studies have been made that divide the United States work force into five different age categories. The Pre-Boomer is a person who was born between the years 1934 to 1945. A Boomer is one who was born between 1946 and 1959. A Cusper was born between 1960 and 1968. Next is the Buster, who was born between 1969 and 1979. Last is the Nester, born between 1979 and 1988. The Boomers are currently between the ages of 47 and 60 years old. The estimated number of boomers in the U.S. is over 78,000,000 or 25% of the total population. In addition, they make up 48% of the work force. As these boomers age, there will be increases in health care spending, prescription drugs, nursing homes/assisted living centers, and cosmetic surgery.

A recent event that greatly affected the health care sector was the Medicare Prescription Drug Improvement and Modernization Act of 2003. Part D of this Medicare Act was initiated in 2006 and "is the biggest expansion of Medicare since the program was created in 1965" (briefing.com dated 3-3-06). Part D impacts every segment of the health care sector. Under this plan, the United States government will now help pay for prescription drugs. These payments are expected to exceed those of both individuals and the private health insurance companies. More boomers will be able to get prescription drugs through Medicare and the amount of money spent on prescription drugs will increase. It is estimated that it will rise to \$369 million by the year 2010.

Another event that will occur this year and will affect the health care sector in the next few years is the patent expiration of five widely prescribed drugs to lower cholesterol, manage depression, relieve allergies and aid sleep: Zocor, Zoloft, Pracachol, Ambien, and Allegra. Once their patents expire, they will be open to generic substitution. Although sales will decrease for the current companies who produce these drugs, this will be good news for consumers, other drug manufacturers, and the health insurance companies.

In the past ten years, health care spending in the United States has outpaced the growth rate of inflation, the population, and the gross domestic product. During the last few years, the national health care spending has increased to \$1.7 trillion, which is equal to \$5,670 per person. With the aging boomer generation, it is projected to reach \$3.4 trillion by the year 2013. Some economists have said that the rise in health care spending might increase inflation and lower the economy's employment rate. The rising cost of health care will negatively affect employers, employees, and also the federal budget. In order to fund this health care spending, the government will either have to raise taxes or increase its borrowing. The average person is affected by either paying higher taxes or higher interest rates as a result of the government's borrowing.

Other economists, however, say that the increase in health care spending will be outweighed by the improvements in technology that will result. The health care industry will be able to provide new options for treatment and treat a larger number of people. The quality of the treatment will improve and you will get more for your money.

Although the two kinds of economists cannot agree on whether the increase in spending in the health care industry will help the U. S. economy, they do agree that it will help the health care investment sector. The increase in spending will create more jobs in the health field, increase wages for its workers, and increase the demand for health care goods and services.

The market future is difficult to predict because it is so dynamic. But I estimate that the health care investment sector, which increased by 8.4 percent over the last year, will continue to do well over the next four years. Health care stocks are a good option for investors because they consistently yield profitable returns.

"Effects of Health Care Spending on the U.S. Economy" 25 Feb 2005. <http://www.aspe.hhs.gov/health/costgrowth>
"Facts for Features Special Edition Oldest Baby Boomers Turn 60!" 03 Jan 2006. http://www.census.gov/Press-Release/www/releases/archives/facts_for_features_special_editions/006105.html
"Healthcare" 03 Mar 2006. www.briefing.com/Investor/Public/StockAnalysis/SectorView.html
Kennedy, Marilyn Moats (2005) "Managing Change: Understanding the Demographics of the Evolving Workforce" handout from seminar, pp. 1-5.



Invest Write Assignment Sheet For grades 9 thru 12

Student Background: A corporation's annual report is like a report card for the company. The company reports on how it has performed and then market analysts and investors, like teachers and parents, decide whether the company gets a good grade or bad grade. There's an old saying that, "Numbers don't lie." Most annual reports include a letter from the Chief Executive Officer (CEO) highlighting the company's accomplishments for the year, but what's important to savvy investors are the financial results - numbers don't lie. Market analysts and investors review these numbers to decide whether they should tell investors to buy, sell, or hold a stock.

Question to write about: Pick two companies in the same industry and conduct research for each. For example, read the annual reports for each company, or view analysts' opinions about the companies. Are there risks that these companies disclose? What figures can help you decide which is the better stock? Are there any trends you can identify from the key statistics? Using facts from your sources, tell us which company you feel is the better investment and why. Please cite the name of each company and your sources.

InvestWrite GUIDELINES:

- Each student may submit only one entry with a maximum of 700 words.
- The title chosen by each student (excluding the author's name) must appear at the top of the first page of the text. If references are cited, include them following the last page of the text. (Please note: only the body of the essay will be included in the word count, the title and the works cited will not count against the 700 word limit.)
- The format for references or works cited can be chosen by the teacher.
- Identification of the student or teacher in the essay will result in disqualification.
- All essays must be submitted in plain text; no charts, graphs or symbols will be accepted.
- Judges will base their decision on the author's understanding of the subject matter, rationale, and writing style:

Understanding of the Subject Matter

Does the student exhibit knowledge regarding the concept of researching and planning an investment strategy? The student should address the scenario using relevant terminology and display an understanding of the core concepts of the stock market in the scenario.

Rationale

Is the essay thoughtful? The written argument should be presented in a manner that indicates there was a logical thinking process involved in addressing the assignment.

Writing Style

Is the student's work interesting to read? Does the written response encourage the reader to continue reading to the conclusion of the essay? Students have an opportunity in this exercise to exhibit the ability to communicate thoughts in an engaging and inviting manner, rather than focusing on grammar and spelling.

Graphic Organizer due date: _____

Draft writing due date: _____

Edits returned by: _____

FINAL Writing piece due date: _____