

## MODULE 1

# Welcome To The Stock Market

## Teaching Notes

Slide	Key Takeaways	Guiding Questions
1	Explain to the students what they will be learning about from either reading the text on the powerpoint or rephrasing it in your own words.	<b>Ask Students</b> What do they know about the stock market?
2	Read through the guiding questions and enduring understandings so the students have a better knowledge of what this module will focus on.	Hand out a copy of the Vocab sheet here so students can see what words they may or may not know and can check while following along.
3	<p>Explain that when you buy a stock or share in a company that you own a part of that company. If you buy a share in a company like Apple, you own a part of that company and can make money when they make money.</p> <p>Then discuss how the stock market is a place that people can buy and sell stocks of every publicly traded company.</p> <p>The way people buy and sell stocks through the stock market is through stock exchanges, which are the platform people use to interact with the market.</p> <p>These used to be physical locations with hundreds of people in them but now are accessed through our phones or computers.</p>	<b>Ask Students</b> Does anyone know what a stock is?  Allow students to answer the question before recapping information in the presentation.

### In-Class Activity

#### Stocks In Everyday Life & Ready, Set Invest

~ 20 Minutes

The “Stocks in Everyday Life” should be done in small groups, which will make completing the “Ready, Set, Invest worksheet” easier but should be done individually. The “Ready, Set, Invest” activity involves having the students log into their Rapunzl accounts and friend some of their peers. This is when you can pair having students receive access to their Rapunzl portfolios for the first time.

### In-Class Activity

#### Ready, Set Invest

~ 20 Minutes

For the Ready, Set, Invest activity, the students choose a couple stocks they want to invest in and walk them through their first trades. "Stocks in everyday Life" has students identify companies they know of or have heard of and research them through Rapunzl to see what their ticker symbol is and if it is publicly traded.

Slide	Key Takeaways	Guiding Questions
4	<p>Discuss some terminology about stocks and explain how they trade. After explaining the basic concepts to students, try to provide a real-world example.</p>	<p><b>Ask Students</b> Have they heard of StockX, Etsy, or Ebay?</p> <p>Online retailers that provide a way for individuals to bid provide a good analogy to how stock markets work.</p> <p>For StockX, people post their sneakers up for a price they are asking for and people post what they are willing to pay for them, a bid.</p> <p>The same terminology is used for the stock market. A seller asks for a certain price and a buyer bids what they are willing to pay. The difference between the two is called the spread.</p>
5	<p>The two main ways you make money from owning stocks is through buying a share of a company and the company's stock price increases due to them growing or increasing their profits.</p> <p>The other method is through a concept known as dividends. So since we know that owning a stock is owning a portion of a company, sometimes large companies will issue dividends, which is a portion of profits paid to shareholders.</p> <p>The other benefit for owning stock in a company is that you can vote at annual shareholder meetings but you need a lot of shares to have much of an influence.</p>	<p><b>Ask Students</b> How do they think you make money owning a stock?</p> <p>If a company has 1,000 shares, and you own 10 of them, then you own 1% of the company. If that company makes \$10,000 in profit, they may issue \$5,000 in dividends.</p> <p>Since you own 1% of the company, you would receive 1% of that \$5,000 or \$5 per share.</p>

**6** The main factors in determining a stock price is supply and demand, with investor demand being the main driver.

**Ask Students**

How do you think a stock price is determined?

**7** This example shows how supply and demand in tandem can affect prices if supply is constant then higher demand causes prices to increase and lower demand causes prices to decrease. Use the example on the slide to engage conversation.

**Ask Students**

Does anyone know what supply and demand means?

**Example**

If you are selling umbrellas outside of a sporting event, would you rather it be a sunny day or raining? Why? (more people will buy an umbrella if it is overcast, which means there is higher demand when it is raining).

Now imagine the sporting event just ended and it starts to pour. You have sold almost all of your umbrellas and have 10 left but there are still over 50 people who want to buy umbrellas.

If you raise the price of the umbrellas, less people may be interested in buying one but since there is a high demand and limited supply you still will be able to sell your umbrellas.

**8** Profitability is one of the big points, because investors want a company making money otherwise they don't get paid.

Investors also look at market share, which is how much of the market that company is in do they control.

Investors are looking if the company can grow in their market share and control more of the market or growth in their profits.

Value is finding a company that an investor thinks is undervalued and will grow in price as more investors realize it is a good investment.

**Example**

An example of market share is asking who has an iPhone in the classroom.

Most will raise their hands, which shows that Apple dominates the cellphone market and has a large market share in the cellphone industry. Investors like to look at market share to see how much the company can grow or if they are established and control their market.

Ask the students what they think are the most important factors when looking at whether or not to buy a stock.

**In-Class Activity**

Choosing a Stock

~20 Minutes

In this activity, students will choose a company from the Discover screen on Rapunzl and answer some questions about the company. They will need to do research on the company most likely. Have students present their findings.

Slide	Key Takeaways	Guiding Questions
9	<p>The true price of a stock is always changing due to constant bids and asks being placed. However, when you have an idea of what you believe the true price of a stock should be, that's when you have an investment thesis.</p> <p>Rising stock prices are a sign investors are more confident in the company while the inverse is also true. From the stock price you can calculate the market cap, which is the value of the company. This is calculated by multiplying the stock price with the number of outstanding shares.</p> <p>Market caps allowed a good comparison between competitors.</p>	<p><b>Optional:</b> <i>Have students look at a stock's price for the past week and see how the stock's price has consistently changed to help reinforce the idea that the true price changes.</i></p>
10	<p>Make sure your investment is future proof and the company is innovating and won't be left behind.</p> <p>For example when film cameras were a thing Kodak, the biggest camera company in the world, rejected selling digital cameras and stuck to film instead of innovating. This led to them going out of business and becoming much less prevalent than they used to be.</p> <p>Don't invest in companies that are hyped up. Investing in a company should be a choice because it is a good company, not because there is a ton of buzz around the company.</p> <p>Are they still growing? Are they an established company? If they are still growing there is more risk involved than a company that has been around forever and is innovating. Both can be good investments.</p>	<p><b>Ask Students</b> Think of companies that fit within each of these investment criteria.</p> <p>Can they think of any companies that clearly do not fit within all of these?</p>
11	<p>Investing in what you know and are familiar with is one of the best strategies with investing. Buying companies you know and interact with on a daily basis can lead to better investments</p>	<p><b>Optional:</b> <i>Ask students to think about companies they use everyday and look for their ticker symbol on the Rapunzl</i></p>

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since you can directly see how the company is doing.

If you go to Walmart and you see the less people are there on average, or their products have decreased in quality, the company may not be doing well.

However, if you see that they are doing big sales and more people are going there and happy with their purchases you can see they may be doing better.

*App. Encourage students to place trades as they are researching, or they can add the stocks to their watchlist.*

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**12** Daily price movements can scare a lot of investors but you should be investing for the long term and not worry too much about daily fluctuations.

When you invest in a company you should be looking to invest in companies that you think will continue to grow for 5-10 years at minimum, and if one week the company isn't doing too well but the reason doesn't change your opinion on why you invested then you should ride out the short-term price drop.

However, if the company has news that comes out that changes your investment thesis then you should sell the shares. However, when there are dips these could be the perfect opportunity to buy more if your investment thesis stands true.

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## **In-Class Activity**

### Stock Chart Analysis

~30 Minutes

Have the students break out into small groups to complete it. The students will choose 4 companies and look through their past performance.

This activity helps show short term volatility and how long term investing can be beneficial. Have the students share some of the companies they researched and the questions they answered at the bottom. This should take 30 minutes.

Slide	Key Takeaways	Guiding Questions
13	Introduce the idea of compound growth (your interest earns interest) and provide an example of investing \$50 a week for 37 years.	
14	<p>While investing in the short term can be risky, with more time it becomes less risky. One of the best ways to reduce your risk when investing is through something called buying the market. This involves buying into a thing called an ETF or exchange traded fund.</p> <p>We discuss ETFs in more depth later, but explain to students it's like a basket of stocks.</p> <p>The largest ETF is the S&amp;P 500, which tracks the top 500 companies in the market. When buying this ETF you are buying a portion of all 500 companies so if the whole economy or market does well then you will.</p> <p><b>This strategy has had an average return of 10% since it was created.</b></p>	<p><b>Ask Students</b> Have they heard about the S&amp;P 500 ever or seen it on the news?</p> <p>Then ask if they know what it is. Then explain how you can buy the S&amp;P 500 using an ETF.</p>
15	Compound growth is incredibly powerful and investing in the market over the long term with a low-cost index can offer much better returns than a traditional savings account.	
16	4 pieces of advice from Warren Buffet, one of the greatest investors of all-time. This is mainly a recap of what other tips we have given already but can be useful to tie real-world examples to the learning concepts.	
17	Read through the slide and check to see if students understand each of these points. Bring it back to the guiding questions at the beginning of the powerpoint and ask the students what their answers are now after going through the module.	

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