

Investment Strategies

1. Working in pairs, read each of the following scenarios.
2. Describe the saving and investing strategy you would advise for each scenario.
3. Give reasons why you selected this strategy.

Scenario A

Ben Fong has saved \$1,000. Currently, the money is earning 0.5 percent interest in a checking account. Ben works part-time and goes to high school. He plans to start college in 4 or 5 years. Ben does not have any other savings or investments.

Scenario B

Bill and Barbara Wilson are a married couple. Both of them are working, and they pay taxes at a high rate (35 percent). They have saved \$5,000 and wish to invest it for the future. They have other savings and retirement plans, including both low-risk and high-risk investments.

Scenario C

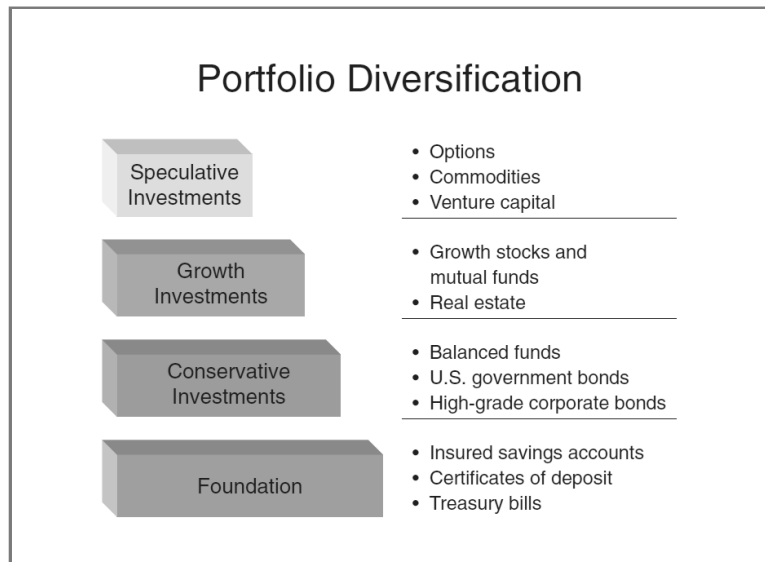
Gloria Vega just inherited \$1,500 from her uncle. She is single, 25 years old, and living with her parents. Gloria works full-time while attending college part-time. She has some savings (\$2,500) and no investments.

Portfolio Diversification

An investment portfolio is a group of assets, such as certificates of deposit, stocks, and bonds. The portfolio should be diversified to lower risk. Investment choices will vary based on the person's age, income, family situation, goals, and attitude toward risk. They will also vary depending on the amount of money to be invested. In this activity, you will think about how to select types of investments for a diversified portfolio.

(over)

Assume that you are 28 years old. You have completed college and have a job that pays \$40,000 a year. You have no debt. You have no dependents that you help support. You have savings of \$30,000. You have decided to create a diversified investment portfolio. Answer the following questions to help you think about how to structure your portfolio. Use the chart to the right as a guide, but you should select amounts for each category based on your own ideas about investing and how comfortable you are with taking risks.



1. What percentage of your savings will you place in the foundation portion of the portfolio? What will this amount be in dollars? What types of investments will be in this part of the portfolio?
2. What percentage of your savings will you place in the conservative investments portion of the portfolio? What will this amount be in dollars? What types of investments will be in this part of the portfolio?
3. What percentage of your savings will you place in the growth investments portion of the portfolio? What will this amount be in dollars? What types of investments will be in this part of the portfolio?
4. What percentage of your savings, if any, will you place in the speculative investments portion of the portfolio? What will this amount be in dollars?
5. What amount of money will you plan to invest each coming month or year to help build your portfolio?
6. What long-term goals will you keep in mind as you choose your investments?