Financial literacy – Investment

Levels 9 and 10,
Economics and Business,
sample activities

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**Note:** Please see the accompanying Investment resources document for supporting resources that can be distributed to students.

Introduction

These sample activities address the Economics and Business curriculum area of the Victorian Curriculum F–10 at Levels 9 and 10.

Acquiring financial literacy skills and capabilities helps Australians achieve financial security throughout their lives. Financial investment strategies are an important part of financial literacy because they ensure that a person can maximise their financial resources and achieve financial stability.

These activities are designed to introduce students to the notion of investment and acquaint them with the different types of investments available to Australians. Because investment involves risk, the activities also help students inform themselves about the level of risk involved with various financial investments and understand how best to minimise risk.

This series of activities is designed to be completed in a sequence of lessons.

Overview of the activities

**Timing**

Approx. 240 minutes total

Links to the Victorian Curriculum F–10

Relevant Economics and Business Levels 9 and 10 achievement standard extract

Students explain the importance of managing consumer and business financial risks and rewards and analyse the different strategies that may be used when making decisions

Relevant Economics and Business Levels 9 and 10 content description

Explain why and describe how people manage financial risks and rewards in the current Australian and global financial landscape [[(VCEBC023)](https://victoriancurriculum.vcaa.vic.edu.au/Curriculum/ContentDescription/VCEBC023)](https://victoriancurriculum.vcaa.vic.edu.au/Curriculum/ContentDescription/VCEBC023)

Learning intentions

Students will be able to:

* explain what financial investment is
* discuss the importance of financial investment to Australians
* explain and evaluate different types of financial investment, specifically:
* ‘at call’ bank accounts and term deposits
* the share market
* cryptocurrency
* superannuation.

Teacher resources and preparation

* The following student worksheets have been provided in the accompanying Financial literacy – Investment resources document.
* Worksheet A: Comparing savings accounts and financial institutions
* Worksheet B: The share market
* Worksheet C: Tracking shares
* Worksheet D: Cryptocurrency
* Worksheet E: Superannuation
* Worksheet F: Planning for retirement
* Teachers should provide students with either hardcopy worksheets or access to worksheets online.
* Students will require internet access to complete the worksheets.
* Each activity includes a ‘Key points to be conveyed to students’ section. Teachers can decide how they want to impart this information to students – for example, they may present some of the information in a display, provide handouts, look at websites or watch some of the online resources together as class. These key points should be reinforced via class discussion before students are instructed to work on worksheets.

Student prior knowledge and skills required

Internet research skills

Key terms

* **Authorised deposit taking institution** (ADI)**:** A business licensed by the Australian Prudential Regulatory Authority (APRA) to conduct banking business, including accepting deposits from the public. ADIs can be banks, building societies or credit unions.
* **Capital growth:** When an investment or asset increases in value compared to its purchase price.
* **Company:** A business formed to manufacture or supply products or services for profit. Most companies are very small and have only one location – for example, a small local restaurant, dry cleaner, flower shop or nail salon. Other companies have more than 10,000 locations or sell their products and services globally.
* **Honeymoon interest rate:** A higher rate of interest that is offered to people for the first six to twelve months after they open a savings account. These rates are intended to entice people to open the account. After the honeymoon period ends, the saver receives a lower rate of interest. Honeymoon interest rates are often called ‘introductory’ or ‘bait’rates.Loans can also have honeymoon rates, but with these the honeymoon rate is lower, not higher.
* **Investment:** Spending money with the expectation that at some time in the future there is potential to produce income or a profit.
* **Private company:** A type of ownership structure where the company is a separate legal entity to its owners and the owners/shareholders are not legally responsible for the debts of the company. Private companies do not sell shares to the public via the share market. The name of a private company is followed by the abbreviation ‘Pty Ltd’, meaning ‘proprietary limited’.
* **Public company:** A type of ownership structure where shares are sold to the public via the share market to raise money. A public company is easily recognised because it has the abbreviation ‘Ltd’ after its name.
* **Share:** A unit of ownership in a company.
* **Shareholder:** A person who owns shares in a company. Shareholders are sometimes called ‘investors’.
* **Stockbroker**: A person or organisation that buys and sells shares on an investor’s behalf.
* **Superannuation** (super): Superannuation is money employers set aside for employees, so they have enough to live on when they retire. The money is invested so that it grows.

Activities

Activity 1: Class discussion

1. Explain to students that this series of activities is designed to introduce them to investment. Upon completion of the activities they will have a better understanding of the importance of financial investment to Australians, and they will be able to explain and evaluate different types of financial investment: ‘at call’ bank accounts and term deposits; the share market; cryptocurrency; and superannuation.

2. Ask students to discuss the following:

* If you have money saved, what could you do with this money? What could you do if there is nothing you wish to purchase straight away?
* What investment types have you have heard of (for example, shares, art, property, term deposits)?

3. Summarise findings and key points from the discussion and display these.

4. Ask students: ‘The earlier you start saving and investing the better. Why?’

5. Watch [‘What is compound interest?’ video (ABC Education)](https://education.abc.net.au/home#!/media/3286154/what-is-compound-interest).

6. Ask students to brainstorm and note the differences and similarities between compound and simple interest. Construct a summary table to display.

7. Explain the concept of risk versus return to students. Then, ask them: ‘Which investment types have the higher risk and return? Which are likelier to be safer?’

8. Watch [‘Why investing can be risky’ video (ABC Education)](https://education.abc.net.au/home#!/media/3286108/why-investing-can-be-risky).

**Key points to be conveyed to students**

The following points should be conveyed to students either during or after the class discussion.

* Investment involves spending money with the expectation that at some time in the future there is potential to produce income or a profit.
* The aim of an investment is to grow or increase the value of what people have invested.
* There are many investment options that could be used to ensure that people's savings, often called ‘nest eggs’, grow.
* Interest is extra money you earn on money you have in a savings account (the balance). So, if you have a balance of $100 in your account and the interest rate for that account is 3%, you will earn $3 interest. When you leave your original money in the account plus that interest, you can earn even more interest. Therefore, if you leave the $103 in your account, you will then earn 3% of $103 – $3.09. That is called ‘compound interest’. It does not seem like much, but the earlier you start, the more you will end up with (if you leave your money alone).
* Any investment will involve some risk that you may lose money rather than make a profit.
* When deciding about the type of investment to make it is important to consider the level of risk involved – how likely it is that your money will be lost – versus the potential return – how much you could make on the investment.
* Certain types of investment are riskier than others. Generally, the higher the risk of an investment, the greater the potential return. The opposite is also true: the riskier the investment, the more you can potentially lose.

Activity 2: ‘At call’ accounts and term deposits

1. Remind students about key concepts from Activity 1 by asking them: ‘What’s interest?’. Then, ask them to explain the difference between simple and compound interest.

2. Students complete **Worksheet A: Comparing bank accounts and banking institutions**. The purpose of Worksheet A is to help students investigate some of the differences between savings accounts and financial institutions.

This activity may be completed individually or in pairs. Students will require access to an internet search engine and an appropriate device.

**Key points to be conveyed to students**

The following points should be conveyed to students before they start on the worksheet.

* One of the least risky investments is to lodge your savings in a bank. Bank savings of up to $250,000 are protected by the Australian Government’s financial claims scheme. This guarantees to pay any person with a savings account up to $250,000 if their bank, credit union or building society fails, though it is unlikely this will happen. As a result, savings held in a bank account are a very low risk investment and only offer a low rate of return.
* There are two main types of savings accounts: ‘at call’ accounts (also called ‘cash accounts’) and term deposits.

|  |  |
| --- | --- |
| **Features of at call accounts** | **Features of term deposits** |
| * Allow you to access your money straight away.
* Interest rate can change depending on what happens in the market.
* There is usually no minimum balance required.
* You receive a lower interest rate because the bank does not know when you will be accessing your money. Therefore, they need to be cautious with it and cannot lend it out for longer periods.
* Can offer bonus interest if you behave in a certain way; for example, not withdrawing money, or depositing a certain amount each month.
* Interest is generally paid at the end of the month and is calculated daily or monthly.
 | * Lock your money away for a specified period of time (the ‘term’).
* Interest rate is usually locked in at the beginning of the term, though some term deposits have variable interest rates. This means the bank may change the rate.
* There is usually a minimum balance required.
* You receive a higher interest rate because the bank can determine how long they will have your money invested and therefore how long they can lend it out for.
* Different terms have different interest rates depending on what the bank thinks is going to happen in the market in the future.
* Interest is paid at the end of the term.
 |

* The account paying the highest interest rate is not always the best option. A person needs to consider:
* whether they will need easy access to their money. Often the accounts that pay higher interest rates do not allow people to withdraw money within a designated period of time
* the account fees charged
* that the big four banks (Westpac, NAB, ANZ and Commonwealth Bank) are generally considered to be more stable compared to the smaller banks. Money invested with a larger bank is usually safer.

Activity 3: The share market

1. Students complete **Worksheet B: The share market**. The purpose of Worksheet B is to introduce students to the share market and how it works.

This activity may be completed individually or in pairs or small groups. Students will require access to an internet search engine and an appropriate device.

2. Students work in pairs to complete **Worksheet C: Tracking shares**. The worksheet asks students to track shares, look for trends in stock prices and investigate possible reasons for these trends.

Again, students will require access to an internet search engine and an appropriate device.

**Key points to be conveyed to students**

Key terms and phrases related to the share market are given in *italics*.

* A common type of investment is to purchase shares in businesses that are known as *publicly listed companies* (or *public companies*). A public company is easily recognisable because it will have the letters ‘Ltd’ after its name.
* A share is a unit of ownership in a company. A share owner, in effect, becomes a part owner of a business.
* In Australia there are more than 2000 publicly listed companies. Their shares are bought and sold through the Australian Stock Exchange (ASX). (The ASX is like a big market where buyers and sellers can connect to buy and sell shares – it is like eBay.)
* Shares in Australian public companies are available for anyone to buy through the ASX.
* Whenever a company decides to become a public company and list its shares on the ASX for sale, there is an initial *float* or *offer*. This is when investors apply directly to buy shares at an initial fixed price. Each investor is then given a *parcel* of shares. Once this occurs, these investors can buy and sell the shares via the ASX.
* A company will often sell shares to raise money (also known as *capital*) for investment. Sometimes a company will buy back shares from its shareholders.

Investing in shares

* When purchasing shares in a public company, the investor is buying *equity* in that company. As an owner of equity, the investor is entitled to a percentage of any profits the company makes.
* Each year a company may pay out *dividends* to its shareholders. It may pay out a specific amount of money per share owned to investors.
* The price of a company share is likely to change change several times every day. Just like in an auction, the price will change according to demand for the shares. If investors believe the value of a particular type of share is about to increase, they will compete (or *bid*) for those shares. If more buyers want to purchase a type of share than is available, the price will be *bidded up*. In other words, if people expect that a company will do well and be profitable, the price of that company’s shares will rise as purchasers compete to buy them.
* Conversely, share prices fall when there are more sellers than buyers in the market. The price of each parcel drops until someone wants to purchase it.
* Different outside factors can influence whether people want to buy shares in a particular company. For example, the share price of Qantas fell during the COVID-19 pandemic because people were not able to travel and Qantas revenue and profits were reduced dramatically.
* When investing in shares, you should *buy low* and *sell high*. If you sell at a higher price than you purchase for, you make a profit or *return on your investment*.
* There are two ways to make money from investment in shares:
* through dividends. A company pays these to its shareholders twice a year. The amount paid is a percentage of the company profits
* through selling a parcel of shares for more than you paid for it. This is called *capital growth*. Successful investors are able to work out which shares will likely increase in value.

How share trading works

Most shares are traded via the ASX electronically, much like on an auction website. An investor can either:

* pay a *stockbroker* to buy and sell shares on their behalf and offer advice about share trading
* directly trade shares themselves using an online *share trading platform*.

The steps involved in share trading are:

1. A potential share buyer places a *buy order* online at the ASX. This shows that they are interested in buying shares in a particular company.
2. Someone who wishes to sell a parcel of shares in a company places a *sell order*.
3. The ASX operated software matches buy and sell orders.
4. Once an order is filled, a share transaction is completed.

Answers to Worksheet B: The share market, Question 5

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| **Using an online share trading platform/broking service** | **Using a full service stockbroker** |
| Allows you to make your **own** investment **decisions**. | The broker does the **trading** for you and can **advise** you and make **recommendations**. |
| You pay a fee starting at **$20** each time you buy or **sell** shares. | Fees paid are a **percentage** of the value of the trade. The **higher** the transaction value the **larger** the fee paid. |
| Fees are **less** than what a full service broker charges. | Most brokers charge a **minimum** fee. |

Sample answers to Worksheet B: The share market, Question 8

|  |  |
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| **Term** | **Definition** |
| Initial public offering | When a company sells new shares to the market to raise money. It is also called a ‘float’. |
| Share prospectus | A document that contains details about a company and the shares it is selling. |
| Employee share scheme | A scheme where people get or buy shares in the company they work for. |
| Limit order | When a buyer of shares sets the maximum price they want to pay, and when a seller sets the minimum price they want to sell for. |
| Market order | When a buyer says they want to accept the current price for a share at the time they place an order, and when a seller says they will accept the highest offer for their shares. |

**Online resources**

[‘What is a share?’ video (ASX, YouTube)](https://youtu.be/r-vn49SzYPA)

[‘What is the sharemarket?’ video (ASX, YouTube)](https://youtu.be/eiJKg1IH23k)

[Lesson: Stock market simulation (MoneyInstructor.com)](https://www.moneyinstructor.com/ls/msimulation.asp)

Activity 4: Cryptocurrency

Students complete **Worksheet D: Cryptocurrency**. The purpose of Worksheet D is to introduce students to cryptocurrency and how it works. It also asks them to think critically about the advantages and disadvantages of this investment.

This activity may be completed individually or in pairs or small groups. Students will require access to an internet search engine and an appropriate device.

Key points to be conveyed to students

* Cryptocurrency is a currency, or type of money, that is issued, bought and sold online. It can be used to buy products online.
* Some investors trade cryptocurrency for profit, and speculators have been known to greatly increase prices.
* Cryptocurrency may be a risky investment, with unstable prices.

Sample answers to Worksheet D: Cryptocurrency, Question 2

1. Cryptocurrency is digital currency. It uses encryption (codes) to generate money and to make sure that transactions are real.
2. ‘Blockchain’ is a list (‘ledger’) of transactions made with cryptocurrencies, for example Bitcoin.
3. ‘Decentralised’ means that Bitcoin is hosted on many computers by many different organisations.
4. Fiat currency is money that central banks of countries control. For example, the Australian dollar is a fiat currency.
5. Cryptocurrency differs from fiat currency in that cryptocurrency is not legal tender (money). So, for example, you cannot pay taxes with it.
6. Answers will differ, but here are examples from the website of things you can buy with Bitcoin (from certain companies only): travel; space flights; bets; guns; coffins; gift cards; real estate; food; gold; clothes.
7. You can buy and sell cryptocurrency through online brokers or exchanges.
8. Bitcoin is anonymous in some ways. Your transactions using Bitcoin are recorded on blockchain but any information that could identify you is not recorded.

Online resources

[‘Bitcoin: How cryptocurrencies work’ video (SciShow, YouTube)](https://www.youtube.com/watch?v=kubGCSj5y3k&t=17s)

Activity 5: Superannuation

1. Ask students to discuss the following:

* Have you ever heard the term ‘superannuation’ (‘super’) before?
* What does it mean?
* Who might it relate to?

2. Watch the [‘Australia: Changing of population pyramid and demographics (1950–2100)’ video (Stats Visual Archives, YouTube)](https://www.youtube.com/watch?v=LXALQ6QlyKQ).

3. Ask students what the video shows (the number of Australians aged 40 and above is growing).

4. Ask students: ‘Why might this be problematic for the Australian Government and Australian society?’

5. Students complete **Worksheet E: Superannuation**. The purpose of Worksheet E is to introduce students to super, why Australia has a super system and how it works.

This activity may be completed individually or in pairs or small groups. Students will require access to an internet search engine and an appropriate device.

6. Students complete **Worksheet F: Planning for retirement**. This worksheet revises the rationale for super and helps students think critically about people’s needs in retirement.

This activity may be completed individually or in pairs.

Key points to be conveyed to students

The key points are all included in Worksheet E.

Sample answers to Worksheet E: Superannuation, all questions

1. Super is money employers set aside for employees so they have enough to live on when they retire. The money is invested so that it grows.

2. If people do not have enough money to retire on, the Australian Government will have to spend more on pensions and welfare, meaning it will have less to spend on other areas, such as health and education. For individual Australians, super is important because the Age Pension is not enough to live on comfortably.

3. The Super Guarantee is the percentage of an employee’s earnings that needs to be put into a super fund. Employers must pay this.

4. Employers must pay super when:

* an employee is 18 years old or over *and* is being paid $450 or more (before tax) in a calendar month
* an employee is under 18 years old *and* is being paid $450 or more (before tax) in a calendar month *and* works more than 30 hours in a week.

5. Yes, casual employees are eligible for super.

6. Yes, part-time employees are eligible for super.

7. 9.5 per cent. (Note that this may change – see points about the legislated increase on the worksheet.)

8. Ordinary time earnings are what employees usually earn. So, they do not include things like overtime.

9. Yes, people can pay extra money into their super fund if they want to.

10. People can only access their super before they retire in very special circumstances. For example, if they have a specific medical condition, have serious financial issues, or are taking part in the Australian Government’s first home super saver scheme.

11. There could be many different answers to this. One is that most people need super to fund their retirement, if they want a certain standard of living. If they have a large super balance and access it early, they might not have time to build it up again before they retire. Also, any money withdrawn early from a super fund will have a negative multiplier effect on the final payout. This means that the person may not have enough money to live on in retirement.

12. Yes, most employees can choose their super fund. Otherwise, their employer will choose a fund for them.

13. Employees can keep track of their super fund(s) through the Australian Taxation Office (ATO). They can either access ATO online services through myGov or call the ATO.

14. Employees who think their employers are not paying them enough super should first check they are entitled to super. They can do this through the ATO website. If they are eligible, they should access the ATO online via myGov to check what payments their employer has made. If they are not sure how much they should be paid, they can use the ‘estimate my super’ tool on the ATO website to find out. They can then talk to their employer. If the employee still does not think their employer has paid enough, they can report the employer to the ATO online. The ATO will keep the employee updated on their investigation.

15a. ‘Preservation age’ is the minimum age someone must be to access their super unless they have special circumstances. The preservation age that applies to someone depends on when they were born.

15b. A ‘lump sum’ is the amount that a super fund pays a member. It can be all or some of the member’s super money and is paid at one time.

15c. An ‘income stream’ is a series of regular payments a super fund makes to a member.

Assessment

* Collect and evaluate completed student worksheets.
* Give students a research assignment locating and comparing different investment options, then assess this.