Business 7

Introduction

Intro Video

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Discussion Question

What can you tell me about business from these videos?

What will we do in this course?

3 things:

1- Investing basics

- Stock Market, TFSA, Mutual Funds, RRSP, GIC’s

2. Basic financial literacy

- Personal, Business, Budgeting

3. Starting a business

- Creating a business proposal.

How will you be marked?

Quizzes- Yes there will be a couple of quizzes. This is more of an academic option, and you will be expected show you understand terms and concepts specific to running a business, investment basics, and basic financial literacy.

Stock market reflection presentation- We will run a stock simulator and you will have a chance to play a stock market game. You will be required to present your understanding of the stock market , and the results at the end of the simulation.

Personal investing written reflection- You will be given a “life scenario” and have to create a budget, make decisions about debt, and decide how you will invest and save.

Business proposal presentation- Your final project will be to create a business proposal that you will take to the bank (requesting a business loan). You will learn entrepreneurial skills, and hone your business sense.

Investing

Have you ever heard of the phrase it takes money to make money?

That’s how investing works. You can use money you have invest it and earn more money.

How does this work?

How $ makes $$$

Have you heard the term “Playing the stock market?” What does it mean?

Playing the stock market is one of the more risky ways to invest your money. There is greater risk but greater reward. Most people work hard for their money and don’t want to risk losing it all. There are a few safer ways to invest your money:

1. Savings account
2. GIC (Guaranteed Investment Certificate)
3. Mutual Funds
4. Bonds or ETF’s

These can all be Registered Retirement Savings Plans (RRSP’s) , Tax Free Savings Accounts (TFSA’s), and most can be Registered Education Savings Plans (RESP’s)- Benefits you when you pay your taxes!

A savings account:

You will not make a lot of money , but there is absolutely no risk. If you kept $5000 dollars in a saving account, depending on the interest rate you might make $25/year.

https://www.tdcanadatrust.com/products-services/banking/accounts/account-rates.jsp

https://www.calculatorsoup.com/calculators/financial/compound-interest-calculator.php

Benefits: No risk at all

Drawbacks: Make very little $.

GIC- guaranteed investment certificates

You can buy a GIC from any bank (gotta be 18). These are very safe with virtually no risk. The reward is often a little bit higher. The catch is you give up access to your money for the term of the certificate.

https://www.bmo.com/home/personal/banking/rates/gic-term-deposits

Benefits

- Very safe
- Earn more than a savings account
- Little or no fees

Drawbacks

- Fixed terms- cannot access your money until the term is up.
- Don’t make too much money

Mutual Funds

This is a safe way to play the stock market. You buy mutual funds from a bank (who will charge you a small fee). You essentially pool your money with other people who invest in the mutual fund and the bank manages your investment portfolio for you. You can usually choose from a low, middle, or high risk mutual fund. That said, even a high risk mutual fund is less risky than "playing the stock market."

Benefit:

- You can draw money out of these usually within a few days.
- You can put money in whenever you want.
- Relatively risk free

Drawbacks:

- Better for long term growth
- Small fees

https://www.atb.com/investing/Pages/compass-portfolios.aspx

Bonds

Bonds are like loans and you are the lender. Governments and companies can issue bonds. They borrow the money and pay it back with interests just like we do from a bank. There are high risk bonds and these are called “Junk Bonds,” which are issued by companies who are not financially sound.

Junk bonds = High risk high reward

Most people invest in government bonds or strong companies . Usually people buy bonds through ETF’s (Exchange traded funds).

https://www.scotiabank.com/ca/en/personal/investing/scotia-exchange-traded-funds.html

Benefits

- Decent returns without actually playing the stock market
- Relatively safe

Drawbacks

- Higher fees.. often based on a percentage of money you make.

The greater the risk the greater the reward

The stock market is different animal. Playing the stock market alone can be riskier:

- You usually need more money up front $10,000
- You pay more money in fees. You will need a US securities license to play the stock market individually.
- Most people, because the don't’ have a securities license, use an e-trade company or a stockbroker, who will charge a fee, on top of other trading fees.
- A well researched, and well balanced stock portfolio will POTENTIALLY make you the most money.
- You can also potentially loose all of the money you invest too., which definitely sucks!

Discussion Question

If you had $10,000 how would you invest it?

We are going to “play the stock market”

Go to Investopedia https://www.investopedia.com/university/stocks/ Read the first 3 tutorials and answer the following questions:

1. What the difference between investing and speculation?
2. What is a stock?
3. What is unique about a corporation?
4. What is important about the separation of ownership and control?
5. What is the difference between a private and public company?
6. What are the two type of stocks and which is more common?

Other key tips

1. Don’t put all your eggs in one basket/ You need to invest in a variety of industries and a variety of stocks. If you put all your money in Oil, and oil crashes- you lose all your money.
2. Buy low sell high… Don’t buy a stock at its peak. Do your research!
3. Quantity is cool. If a stock is worth $3 and you buy 500 shares, and If that stock increases to $6 how much money do you make?
4. Take some risk, but have a good safety net. Certain companies are pretty stable, other are more of a risk. You have to decide how much risk you want to take vs. how much certainty you want. You probably want more certainty than risk but… the greater the risk the greater the reward.
5. Don’t rush… Stocks change by the minute. If a stock is down one day it may go up the next.