|  |  |
| --- | --- |
| NGPF_LG.png | *Semester Course**7.4 Investing in Funds*Student Activity Packet |

###

### Name: [SAMPLE -- Answers are not inclusive of all possible correct responses.]

|  |
| --- |
| In this lesson, you will learn to: * Explain what Mutual Funds, Index Funds, Exchange Traded Funds, and Target Dates Funds are
* Understand the impact a brokerage fee has on your investment returns
 |

|  |  |
| --- | --- |
| **Resources** | Questions |
|

|  |  |
| --- | --- |
| 1 | [**Discussion Prompts**](https://docs.google.com/presentation/d/1b1cjYisbfNWAauir33sIRGqGyhj-nCifeFsHWEZhdZA/edit?usp=drive_web&ouid=102464431895731567337)Discuss this question with your classmates or with a partner. |

 | *Estimated time: 5 mins*1. Rather than picking individual stocks and bonds, you can invest your money in funds that include a collection of stocks and bonds . What do you think are the benefits of doing so?

It’s an easier way of diversifying your portfolio - you get the variety in each type of investment without having to do it yourself. |
|

|  |  |
| --- | --- |
| 2 | [**What are Mutual Funds, Index Funds, and ETFs?**](https://edpuzzle.com/media/5d34fa1b00a86b40bc876193)Let’s take a deeper look at 3 common types of funds that people can invest in by watching this video. Then follow your teacher’s directions to answer the questions either within the EdPuzzle itself or on this document. *NOTE: EdPuzzle videos shuffle answer choices and do not always match the order provided in the lesson here.* |

 | *Estimated time: 10 mins*1. Which of the following statements about Mutual Funds is FALSE?
	1. A majority of actively managed mutual funds "beat the market" and are worth the fees they charge.
	2. An advantage of investing in mutual funds is that you don't have to pick individual stocks and bonds.
	3. Mutual funds that are actively managed by a fund manager are trying to "beat the market" averages.
	4. Mutual fund managers typically charge fees of 1 - 2% on the assets they manage
2. Which of the following are TRUE about Index Funds?
	1. Index funds are a type of mutual fund.
	2. Index funds have lower fees than actively managed mutual funds.
	3. Index funds try to "beat the market."
	4. Index funds are actively managed by fund managers.
3. What is the benefit of investing in an Exchange Traded Fund (ETF)?
	1. ETFs guarantee a higher return than mutual funds.
	2. You have more control and flexibility because you can trade ETFs anytime while the market is open.
	3. An ETF allows you to pick which stocks and bonds you want in the fund.
	4. You can trade before the market closes for the day for a fee - usually 1%.
 |
|  |  |
|

|  |  |
| --- | --- |
|  |  |

 | *Estimated time: 20 mins*  |
|

|  |  |
| --- | --- |
| 5 | [**Exit Ticket**](https://docs.google.com/presentation/d/1gCamXIhUB1Hb0sN3yBbfQTj4mgMVj4I5WHo8N5a7yyU/edit#slide=id.p)Follow your teacher’s directions to complete the Exit Ticket. |

 | *Estimated time: 5 mins* 1. Describe one of the following in detail: Mutual Fund, Index Fund, ETF.
* Mutual Fund: A fund which invests in a collection of stocks and/or bonds to provide greater diversification
* Index Fund: A type of mutual fund that matches a financial market index (e.g., the S&P 500)
* ETF: a type of investment that also tracks a financial market index; it also is a marketable security which means it trades on the market during market hours.
1. Explain the effect a high expense ratio has on your investment returns.

A high expense ratio takes away from your investment returns. For example, if you earned a 6% return but pay an expense ratio (fee) of 1%, you’re only earning a 5% return.It may not sound like a lot, but that is giving up 17% of your return (1% fee/6% return) so pay attention to fees.  |