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| NGPF_LG.png | *Semester Course*  *7.3 Bonds, Diversification, & Asset Allocation* Student Activity Packet |

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### Name:

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| In this lesson, you will learn to:  * Explain what a bond is and how an investor makes money from it * Read a bond fund fact sheet * Understand the importance of diversifying your investment portfolio |

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| **Resources** | Questions |
| |  |  | | --- | --- | | 1 | [**Discussion Prompts**](https://docs.google.com/presentation/d/1Ej3TCMrZky2X9CBdNIiKO8nqmdkrYlt8z_cDBIkMQKg/edit#slide=id.p)  Discuss these questions with your classmates or with a partner. | | *Estimated time: 5 mins*   1. Let’s say your friend wants to invest all of her saved money into ONE individual stock. Is this a good idea? Why or why not? |
| |  |  | | --- | --- | | 2 | [**Investing Basics: Bonds**](https://www.youtube.com/watch?v=IuyejHOGCro)  When investing, it’s a good idea to have a mix of stocks and *bonds* in your portfolio. Watch this video to learn more about what bonds are and answer the questions. | | *Estimated time: 6 mins*   1. In your own words, explain what a bond is and how you would make money from it. 2. Why is it a good idea to invest in both bonds and stocks? 3. What is the risk you are taking when investing in bonds? How can you minimize this risk? 4. Why does the value of your bond decrease when interest rates increase? |
| |  |  | | --- | --- | | 3 | [**Bond Fund Fact Sheet**](https://docs.google.com/document/d/1pPOKNkiqPjg5CYwq5VbIYZQXBsqjFZl864KBwKa4puc/edit)  Now that you know what a bond is, let’s take a look at how you would read a bond fund fact sheet. Read through the first resource on the 1st page of this worksheet. Skip the 2nd resource and move onto the questions. | | *Estimated time: 14 mins* |
| |  |  | | --- | --- | | 4 | [**The Power of Diversification**](https://www.youtube.com/watch?v=pNO3Rmmezc0&feature=youtu.be)  One of the main benefits of investing in a fund, rather than in individual stocks and bonds, is *diversification*, or the spreading of risk. Watch this short video through 2:19 to learn more. Then, answer the questions. | | *Estimated time: 5 mins*   1. What is meant by “asset allocation?” 2. Once you’ve done asset allocation, what’s the next level of diversification you should do among each asset class? 3. How does diversification protect investors? |
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