Stock Hopes

Read how a financial asset can gain value or provide future income.

SS.4.FL.5.2 "Explain that a financial investment is the purchase of a financial asset, such as a stock, with the expectation of an increase in the value of the asset and/or increase in future income."

NAME ______________________ DATE ____________

1 READ AND MARK

Read it twice

YOUR JOB Circle each financial asset named in the passage. Underline details that tell how a person expects to gain value or future income from an investment.

Buying a Share

1 An investment is a choice to buy something now because you expect it to be worth more later or to bring in money later. A financial investment means buying a financial asset, not buying a snack, game, or bicycle to use. Financial assets are items that represent a claim on value or future payments for their owner.

2 One financial asset is a stock. When a person buys a share of stock, that person owns a tiny part of a company. Suppose Jordan buys stock in a company that makes sports equipment. Jordan hopes the stock's value will rise. If Jordan later sells the stock for more than the purchase price, Jordan may earn money.

3 Some stocks may also provide future income called dividends. A dividend is money a company may pay to its shareholders. Jordan might receive dividends while owning the stock, even without selling it. However, investments involve risk. The stock value can fall, and a company may reduce or skip dividends. People invest with an expectation, not a guarantee, of gaining value or income.

2 ANSWER WITH EVIDENCE

Use the passage

1. Why is buying a share of stock a financial investment, rather than buying something to use?

2. What does a person own when the person buys a share of stock?

3. Name two ways Jordan could earn money from the stock.

4. Why is Jordan's hoped-for gain from the stock not guaranteed?

3 YOUR TURN

Your own words

Invent a financial investment in a company. Write three sentences that name the financial asset, explain how you expect it to gain value or provide future income, and name one risk.

PART 1 · READ AND MARK

Circle each financial asset named in the passage. Underline details that tell how a person expects to gain value or future income from an investment. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	Why is buying a share of stock a financial investment, rather than buying something to use?	**A share of stock is a financial asset bought with the expectation that it will increase in value or provide future income.**
2	What does a person own when the person buys a share of stock?	**A tiny part of a company.**
3	Name two ways Jordan could earn money from the stock.	**Jordan could sell the stock for more than the purchase price or receive dividends while owning it.**
4	Why is Jordan's hoped-for gain from the stock not guaranteed?	**The stock value can fall, and the company may reduce or skip dividends.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

Leah buys one share of stock in a book company. She expects the share to increase in value and hopes to receive dividends in the future. The share could lose value, and the company might not pay dividends.

Accept responses that identify a financial asset and clearly state an expectation of higher value and/or future income. The response must also name a realistic risk, such as a falling value or missing dividends.