

Investing Under the Lens

Analyze investment choices, risks, influences, and protections.

SS.8.FL.5 "Identify and analyze the means, types and risks of financial investing including personal and societal influences and the government's role in regulating investments."

NAME _____

DATE _____

1 READ AND MARK _____ Read it twice

YOUR JOB Underline each investment type or way to invest, circle each risk, and number each personal, societal, or government influence from 1 onward. Your marks will help you analyze why investment choices involve both opportunity and risk.

Choices, Risks, and Rules

- ① Investing means putting money into something with the hope that it will grow or produce income. A person can buy stocks, which represent small ownership shares in a company, or bonds, which are loans to a company or government. Mutual funds and exchange-traded funds combine many investments in one fund. Some people invest through a retirement account at work, while others use a brokerage account. Each method gives access to investments, but the investments themselves can have different risks.
- ② No investment guarantees a profit. Stock prices can fall when a business performs poorly or when many investors sell. A bond issuer might fail to repay its loan. Inflation can also reduce what investment earnings can buy. Spreading money among different investments, called diversification, may lower the harm caused by one loss, but it cannot remove all risk. Usually, an investment that promises a higher possible return also has a higher chance of loss. Investors should consider their goals, time available, and ability to handle losses.
- ③ Personal choices and society can influence investing. Someone saving for college may choose differently from someone nearing retirement. Family advice, news, social media, and trends can pressure people to invest quickly, sometimes without research. Government agencies help protect investors. The Securities and Exchange Commission, or SEC, requires public companies to share important financial information and investigates some securities-law violations. It does not promise that an investment will succeed. Investors still need to compare information, watch for fraud, and decide whether a risk fits their situation.

2 ANSWER WITH EVIDENCE _____ Use the passage

1 How do stocks and bonds differ as investment types?

2 Name two risks of investing described in the passage.

3 How can diversification lower risk, and why can it not remove all risk?

4 Give one societal influence on investing and one way the SEC protects investors.

3 YOUR TURN _____ Your own words

Imagine you are deciding how to invest money for a goal you choose. Write three sentences that name an investment type or method, explain one risk and one personal or societal influence on your choice, and state what SEC regulation can and cannot do for you.

PART 1 • READ AND MARK

Underline each investment type or way to invest, circle each risk, and number each personal, societal, or government influence from 1 onward. Your marks will help you analyze why investment choices involve both opportunity and risk. Accept any marking that follows this job and points at the right text.

PART 2 • ANSWERS

#	QUESTION	ANSWER
1	How do stocks and bonds differ as investment types?	Stocks are small ownership shares in a company. Bonds are loans to a company or government.
2	Name two risks of investing described in the passage.	Answers may include stock prices falling, a bond issuer failing to repay a loan, inflation reducing buying power, or losing money on an investment.
3	How can diversification lower risk, and why can it not remove all risk?	Diversification spreads money among different investments, so one loss may cause less harm. It cannot remove all risk because investments can still lose value.
4	Give one societal influence on investing and one way the SEC protects investors.	Societal influences include family advice, news, social media, or trends. The SEC requires public companies to share important financial information and investigates some securities-law violations.

PART 3 • YOUR TURN (SAMPLE ANSWER)

I could use a brokerage account to buy a mutual fund, which spreads my money across several investments. Because I am saving for college, I would consider how soon I need the money and the chance that the fund could lose value. The SEC can require public companies to share financial information, but it cannot guarantee my fund will make a profit.

Accept accurate investment types or methods and realistic risks or influences. In the open response, students should correctly explain that the SEC provides oversight and disclosure rules but does not guarantee investment success.