Financial literacy – Investment

Levels 9 and 10,
Economics and Business,
resources

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Note: Please see the accompanying Financial literacy – Investment activities document for a full description of the sample activities.

Worksheet A: Comparing savings accounts and financial institutions

Investigate differences between savings accounts and financial institutions by following these steps.

1. Choose four different savings accounts at four different financial institutions. Only use financial institutions from this [‘List of authorised deposit-taking institutions covered under the Financial Claims Scheme’ (APRA)](https://www.apra.gov.au/list-of-authorised-deposit-taking-institutions-covered-under-financial-claims-scheme). An authorised deposit-taking institution (ADI) is a business licensed by the Australian Prudential Regulatory Authority (APRA) to conduct banking business, including accepting deposits from the public. ADIs can be banks, building societies or credit unions.

When choosing accounts, follow these criteria:

* Account 1 must be a term deposit from a ‘big four’ bank (Westpac, NAB, ANZ, Commonwealth Bank).
* Account 2 must be an ‘at call’ savings account from a big four bank.
* Account 3 must be from a credit union. It can be either an at call account or a term deposit.
* Account 4 must be from any other financial institution that isn’t a big four bank. It can be either an at call account or a term deposit.

2. For each account, fill in a table below. The first table explains what information you need to note.

|  |  |
| --- | --- |
| **Detail** | **What to note** |
| **Financial institution** | * What is the name of the financial institution?
 |
| **Account name** | * What is the name of the account you have chosen from that financial institution?
 |
| **Account type** | * Is the account at call or a term deposit?
 |
| **Interest rate** | * What is the interest rate for the account?
* Is it a fixed interest rate or is it variable, based on the market?
* How often is interest paid?
* Does the account have a honeymoon\* interest rate, and if so, what are the conditions?
 |
| **Account fee** | * Is there an account fee? If so,
* How much is it?
* How often is it charged – for example, monthly, annually?
 |
| **Minimum balance** | * Do you need to keep a minimum balance?
 |
| **Withdrawals** | * How often can you withdraw money?
 |
| **Regular deposits** | * Do you need to make regular deposits? If so, how much?
 |

**\*Honeymoon interest rate:** A higher rate of interest that is offered to people for the first six to twelve months after they open a savings account. These rates are intended to entice people to open the account. After the honeymoon period ends, the saver receives a lower rate of interest. Honeymoon interest rates are often called ‘introductory’ or ‘bait’rates.

Account 1

| **Detail** | **Your notes** |
| --- | --- |
| **Financial institution** |  |
| **Account name** |  |
| **Account type** | Term deposit |
| **Interest rate** |  |
| **Account fee** |  |
| **Minimum balance** |  |
| **Withdrawals** |  |
| **Regular deposits** |  |

Account 2

| **Detail** | **Your notes** |
| --- | --- |
| **Financial institution** |  |
| **Account name** |  |
| **Account type** | At call |
| **Interest rate** |  |
| **Account fee** |  |
| **Minimum balance** |  |
| **Withdrawals** |  |
| **Regular deposits** |  |

Account 3

| **Detail** | **Your notes** |
| --- | --- |
| **Financial institution** |  |
| **Account name** |  |
| **Account type** |  |
| **Interest rate** |  |
| **Account fee** |  |
| **Minimum balance** |  |
| **Withdrawals** |  |
| **Regular deposits** |  |

Account 4

| **Detail** | **Your notes** |
| --- | --- |
| **Financial institution** |  |
| **Account name** |  |
| **Account type** |  |
| **Interest rate** |  |
| **Account fee** |  |
| **Minimum balance** |  |
| **Withdrawals** |  |
| **Regular deposits** |  |

3. Which account has the highest interest rate?

4. Which account would you choose if you had $10,000 to invest?

5. Would this change if you had $250,000 to invest?

6. In 100–200 words, explain your answers to questions 4 and 5.

Worksheet B: The share market

Read the information below, then answer the questions.

Key terms and phrases related to the share market are given in *italics*.

* A common type of investment is to purchase shares in businesses that are known as *publicly listed companies* (or *public companies*). A public company is easily recognisable because it will have the letters ‘Ltd’ after its name.
* A share is a unit of ownership in a company. A share owner, in effect, becomes a part owner of a business.
* In Australia there are more than 2000 publicly listed companies. Their shares are bought and sold through the Australian Stock Exchange (ASX). (The ASX is like a big market where buyers and sellers can connect to buy and sell shares – it’s like eBay.)
* Shares in Australian public companies are available for anyone to buy through the ASX.
* Whenever a company decides to become a public company and list its shares on the ASX for sale, there is an initial *float* or *offer*. This is when investors apply directly to buy shares at an initial fixed price. Each investor is then given a *parcel* of shares. Once this occurs, these investors can buy and sell the shares via the ASX.
* A company will often sell shares to raise money (also known as *capital*) for investment. Sometimes a company will buy back shares from its shareholders.

Investing in shares

* When purchasing shares in a public company the investor is buying *equity* in that company. As an owner of equity, the investor is entitled to a percentage of any profits the company makes.
* Each year a company may pay out *dividends* to its shareholders. It may pay out a specific amount of money per share owned to investors.
* The price of a company share is likely to change change several times every day. Just like in an auction, the price will change according to demand for the shares. If investors believe the value of a particular type of share is about to increase, they will compete (or *bid*) for those shares. If more buyers want to purchase a type of share than is available, the price will be *bidded up*. In other words, if people expect that a company will do well and be profitable, the price of that company’s shares will rise as purchasers compete to buy them.
* Conversely, share prices fall when there are more sellers than buyers in the market. The price of each parcel drops until someone wants to purchase it.
* Different outside factors can influence whether people want to buy shares in a particular company. For example, the share price of Qantas fell during the COVID-19 pandemic because people were not able to travel and Qantas revenue and profits were reduced dramatically.
* When investing in shares, you should *buy low* and *sell high*. If you sell at a higher price than you purchase for, you make a profit or *return on your investment*.
* There are two ways to make money from investment in shares:
* through dividends. A company pays these to its shareholders twice a year. The amount paid is a percentage of the company profits
* through selling a parcel of shares for more than you paid for it. This is called *capital growth*. Successful investors are able to work out which shares will likely increase in value.

How share trading works

Most shares are traded via the ASX electronically, much like on an auction website. An investor can either:

* pay a *stockbroker* to buy and sell shares on their behalf and offer advice about share trading
* directly trade shares themselves using an online *share trading platform*.

The steps involved in share trading are:

1. A potential share buyer places a *buy order* online at the ASX. This shows that they are interested in buying shares in a particular company.
2. Someone who wishes to sell a parcel of shares in a company places a *sell order*.
3. The ASX operated software matches buy and sell orders.
4. Once an order is filled, a share transaction is completed.

1. Locate and record the names of 20 Australian public companies.

2. Find the ASX website and select five companies listed on the ASX. Use the website to complete the following table.

Date: \_\_\_\_\_\_\_\_\_\_\_

| **Name of company**  | **Highest share price today** | **Lowest share price today** | **Percentage change today in share price (note whether it has risen or fallen and the percentage)** | **Percentage change in share price over the past 12 months (rise/fall and percentage)** |
| --- | --- | --- | --- | --- |
| 1. |  |  |  |  |
| 2.  |  |  |  |  |
| 3.  |  |  |  |  |
| 4. |  |  |  |  |
| 5.  |  |  |  |  |

3. For each company, suggest one reason why the share price may have changed during the past 12 months. You can use the internet to research each company.

4. Suggest one factor shared between the companies that have had a:

1. *fall* in share price over the past 12 months.
2. *rise* in share price during the past 12 months.

5. Using the words in the word bank, fill in the empty spaces to summarise the differences between using an online share trading platform and using a full service broker. You can use the [‘How to buy and sell shares’ website (moneysmart.gov.au](https://moneysmart.gov.au/shares/how-to-buy-and-sell-shares)) to help you.

|  |  |
| --- | --- |
| **Using an online share trading platform/broking service** | **Using a full service stockbroker** |
| Allows you to make your \_\_\_\_ investment \_\_\_\_\_\_\_\_\_\_\_\_. | The broker does the \_\_\_\_\_\_ for you and can \_\_\_\_\_\_ you and make \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. |
| You pay a \_\_\_ starting at \_\_\_\_ each time you buy or \_\_\_\_ shares. | Fees paid are a \_\_\_\_\_\_\_\_\_ of the value of the trade. The \_\_\_\_\_\_\_ the transaction value the \_\_\_\_\_\_\_ the fee paid. |
| Fees are \_\_\_\_ than what a full service broker charges. | Most brokers charge a \_\_\_\_\_\_\_\_\_ fee. |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| sell | recommendations | decisions | larger | percentage | advise | less | fee | higher | own | $20 | trading | minimum |

6. The ['Find a stockbroker' tool (ASX)](https://www2.asx.com.au/investors/start-investing/find-a-broker-adviser) has a list of questions to ask yourself before investing. Use this to write a list of questions an investor should ask a stockbroker before they invest*.* For example, ‘What fees will I need to pay you whenever you buy or sell shares on my behalf’?

7. Using the [‘Share trading accounts compared’ website (Mozo)](https://mozo.com.au/share-trading), go to the websites of five different online share trading platforms (for example, Commsec) and complete the following table.

| **Platform name** | **Fees** | **Two key features (for example, minimum investment)** |
| --- | --- | --- |
| 1.  | Casual trader:Active trader:  |  |
| 2.  | Casual trader: Active trader:  |  |
| 3. | Casual Trader: Active trader: |  |
| 4. | Casual trader: Active trader:  |  |
| 5. | Casual trader: Active trader: |  |

8. Use the [‘How to buy and sell shares’ website (moneysmart.gov.au)](https://moneysmart.gov.au/shares/how-to-buy-and-sell-shares), a search engine or business dictionary to write definitions for each of the following terms.

| **Term** | **Definition** |
| --- | --- |
| Initial public offering |  |
| Share prospectus |  |
| Employee share scheme |  |
| Limit order |  |
| Market order |  |

Worksheet C: Tracking shares

It’s important to keep track of changes in the price of your shares.

Working in pairs, complete the following.

1. Select three shares listed on the ASX. Write the company names in the table.

2. Look at the price of these shares over the past 10 days and complete the table.

| **Company name** | **Day 1 price range** | **Day 2 price range** | **Day 3 price range** | **Day 4 price range** | **Day 5 price range** | **Day 6 price range** | **Day 7 price range** | **Day 8 price range** | **Day 9 price range** | **Day 10 price range** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Low:High: | Low:High: | Low:High: | Low:High: | Low:High: | Low:High: | Low:High: | Low:High: | Low:High: | Low:High: |
|  | Low:High: | Low:High: | Low:High: | Low:High: | Low:High: | Low:High: | Low:High: | Low:High: | Low:High: | Low:High: |
|  | Low:High: | Low:High: | Low:High: | Low:High: | Low:High: | Low:High: | Low:High: | Low:High: | Low:High: | Low:High: |

3. On a separate sheet of paper or using Excel, construct a graph for each share showing:

1. the daily high and low price for the 10-day period
2. the average daily price.

4. Which shares showed a total increase in average daily price over the 10 days?

5. Which shares fell in value over the 10 days?

6. Do an internet search and identify possible reasons for the changes in price.

Worksheet D: Cryptocurrency

1. Watch the [‘A brief history of money: From barter to Bitcoin’ video (Western Union, YouTube)](https://www.youtube.com/watch?v=pd8SPsG8kps).

2. Access the [‘Cryptocurrency for beginners’ website (CryptoCurrency facts)](https://cryptocurrencyfacts.com/cryptocurrency-for-beginners/) and answer the questions below:

1. What is a cryptocurrency?
2. What is ‘blockchain’?
3. What does ‘decentralised’ mean?
4. What is a ‘fiat currency’?
5. How is cryptocurrency different from a fiat currency?
6. List three things you can buy using Bitcoin.
7. Describe how you would buy or sell cryptocurrency.
8. Is Bitcoin anonymous?

3. Write a persuasive article about Bitcoin. Include:

* what Bitcoin is
* how it is exchanged
* its advantages
* its disadvantages
* your overall opinion about Bitcoin and reasons for this.

4. Many investors consider Bitcoin to be the original cryptocurrency. However, since it started many new cryptocurrencies have entered the market, each with its own advantages and disadvantages.

Working in small groups, research another type of cryptocurrency.

Then, create a PowerPoint presentation to present to the class. It should be no more than four slides.

Include:

* the name of the cryptocurrency
* when this cryptocurrency was created
* how reliable and secure this cryptocurrency is and reasons for this
* whether you would use this cryptocurrency if you were an investor, and why/why not.

Worksheet E: Superannuation

Read the text and answer the questions below. You’ll also need to search the ['Super' page of the Australian Taxation Office (ATO) website](https://www.ato.gov.au/Individuals/Super/) for information to answer the questions.

Introduction

* The working age population is getting smaller in Australia.
* Fewer people are working, which means that less income tax is being paid to the Australian Government, and it needs to pay more in pensions and social security.
* This means there is less money for the Australian Government to spend on other areas – for example, health or education.
* For a long time, most Australians relied on the Age Pension to live on during retirement. The Age Pension by itself only guarantees a very basic standard of living and is no longer enough to live on comfortably.

What is superannuation?

* Since 1992 the Australian Government has made it compulsory for employers to pay a percentage of their employees’ earnings into a superannuation (super) account on their behalf.
* Super is a saving for your retirement. After money is placed into a super fund, the fund manager invests it to help the balance to grow over time. When you retire, you can access the money to live on.
* Compulsory super is a method of creating ‘forced savings’ for all Australian workers. The more money you save in super, the more you will have to live on when you retire. The aim of super is that Australians will not need to rely exclusively on the Age Pension in retirement.
* Your employer places money directly into a super fund over your working life. You never see the money in your bank account.
* As of early 2021, the law requires your employer to pay 9.5% of your earnings into a super fund on your behalf when:
* you are an employee 18 years old or over *and* are being paid $450 or more (before tax) in a calendar month
* you are an employee under 18 years old *and* are being paid $450 or more (before tax) in a calendar month *and* work more than 30 hours in a week.

This is called the ‘Super Guarantee’.

* Super is paid on income up to $54,030 per quarter.
* This rate is legislated to increase by 0.5% on 1 July 2021. It will increase by 0.5% annually up to 2025–26, when the rate will be set at 12%.
* There are lots of different super funds, with different types of accounts.

1. Describe what super is and what it is designed to do.

2. Why is it important to the Australian Government and to individual Australians that there is a super system?

3. What is the Super Guarantee (SG)? Who pays this?

4. When must an employer pay super for an employee?

5. Are casual employees eligible for super?

6. Are part-time employees eligible for super?

7. What percentage of a person’s earnings is their employer currently required to pay into a super fund on their behalf?

8. What are ‘ordinary time earnings’?

9. Can an employee pay extra money into a super fund if they wish?

10. Under what circumstances can an employee access their super fund before they retire?

11. Why do many people consider it inadvisable to access super funds early? Hint: Try searching ‘why accessing super early is risky’.

12. Can an employee choose their own super fund? What happens if they don’t?

13. How can an employee keep track of their super fund(s)?

14. What should an employee do if they believe their employer has not paid enough super into their fund?

15. Define the following terms as they relate to super:

1. preservation age
2. lump sum
3. income stream

Worksheet F: Planning for retirement



Figure 1: Number and Proportion of the Population Aged 65 and Over, by Age Group and Sex, 30 June 2017, 2027, 2037, 2047 and 2057.

Source: [Australian Institute of Health and Welfare](https://www.aihw.gov.au/reports/australias-welfare/australias-welfare-2017-in-brief/contents/ageing-and-aged-care)

1. Look at Figure 1. What is the trend with the proportion of the population that is 65 years of age and over? Is it upward, downward or neutral?

2. If the population is ageing, how do you think the Australian Government will be able to pay people a pension? What affect does the ageing population have?

3. Describe two ways that the Australian Government could find enough money to pay a pension to people retiring in 2057. Describe the potential implications of each way.

4. Imagine you want to retire at 65, and you want to fund your retirement. The average life expectancy in Australia is approximately 83, so you will need to fund 18 years of your life without income from working.

1. Choose five things that you would like to do each year when you retire – for example, travel overseas, eat out at a restaurant once a week, get a haircut every two months.

1. Estimate the yearly cost of each of these five things, add them together and multiply the total by 18. This is the total savings you would need to have to fund just those five yearly activities.