



TIME HORIZON LESSONS
Recommended for Grades 6–8

Asset Allocation

LESSON 8

Even though some of your financial goals seem a long way off, if you start investing early and consider your time horizon when choosing investments, you'll have a better chance of having enough money when you need it.

Objective

To help kids evaluate how to use the right mix of investments to achieve short- and long-term financial goals.

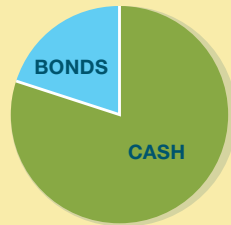
1 Complete the Investment Game worksheet and review each asset allocation model to determine the risk/return trade-off. Discuss how people's attitudes toward risk can change over time, especially as they get older and their time horizon for a goal changes from long-term to short-term.



Play the \$10,000 Investment Game

- You have \$10,000 to invest.
- Review the Asset Allocation Models and the Investment Chart below.
- Then select investments from the Investment Chart that best represent each asset allocation mix.
- On the next page, choose how you want to allocate the \$10,000 across the investments you selected (see example at top of next page).

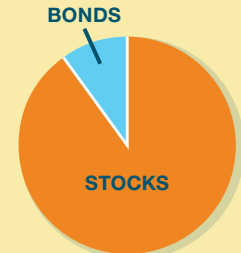
Asset Allocation Models



Short-Term Time Horizon
80% Cash, 20% Bonds



Medium-Term Time Horizon
50% Stocks, 50% Bonds



Long-Term Time Horizon
90% Stocks, 10% Bonds

Investment Chart

Investment Type	Dice Roll Value							
	2	3–4	5–6	7–8	9–10	11	12	
CASH*	+ 2%	+ 2%	+ 2%	+ 2%	+ 2%	+ 2%	+ 2%	
BONDS	+ 8%	+ 6%	+ 6%	+ 4%	+ 3%	0%	- 1%	
STOCKS	- 25%	- 11%	- 5%	+ 12%	+ 16%	+ 21%	+ 30%	

* Cash is a Bank Savings Account or Money Market Account.

All investments are subject to market risk, including the possible loss of principal.

\$10,000 Investment Game

Name _____

Play the \$10,000 Investment Game

Select investments from the Investment Chart on the previous page that are appropriate for the time horizons in the chart to the right.

Roll the dice* to see how your investments perform by matching the dice roll value with your investments.

Then, calculate your gain or loss by multiplying your investment by the % increase or decrease found in the chart on the previous page (see example).

Extra Credit Analyze the Investment Chart on the prior page. As the investment risk increases, what trends do you see in the performance percentages? How did this affect the year-end values of your investments for the different time horizons?

Time Horizon	Dice Roll	Investment Type	Risk	Amount	% Change	Gain (Loss)	Year-End Value
Short-term example	6	Cash	Low	\$8,000	+ 2%	\$160	\$8,160
	6	Bonds	Moderate	\$2,000	+ 6%	\$120	\$2,120
Short-Term							
Medium-Term							
Long-Term							



Answers will vary, but low and moderate risk investments should have more consistent returns, and higher risk investments have the potential for larger gains but also larger losses.