INSTRUCTOR'S MANUAL

A GUIDE TO INVESTOR EDUCATION

SECONDARY SCHOOL TEACHERS FORMS 1-5

TRINIDAD AND TOBAGO SECURITIES AND EXCHANGE COMMISSION

A GUIDE TO INVESTOR EDUCATION

INSTRUCTOR'S MANUAL

SECONDARY SCHOOL TEACHERS FORMS 1-5

A publication of the Trinidad and Tobago Securities and Exchange Commission

A product of the Corporate Communications, Education and Information Division

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Acknowledgements

The Trinidad and Tobago Securities and Exchange Commission (TTSEC) wishes to acknowledge and thank the Ministry of Education, Trinidad and Tobago and its Curriculum Division for offering a great deal of assistance and information, which helped us to develop an appropriate product for use among secondary school teachers and students.

The unwavering support and collaboration from the Ministry's Curriculum Division augured well for a successful partnership and the TTSEC looks forward to working with the Ministry of Education on future collaborations.

The TTSEC also extends gratitude to the secondary schools that supported this initiative and provided feedback during the pilot testing phase of the development process. Your feedback was integral and pivotal in ensuring that the documents were fit for purpose, and would aid in your elucidation and delivery of topics related to the financial sector in Trinidad and Tobago.

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Foreword

The Trinidad and Tobago Securities and Exchange Commission (TTSEC) derives its mandate for the regulation of the securities industry in Trinidad and Tobago from the legislative requirements of the Securities Act 2012 (SA 2012) as amended in 2014.

Its role is to provide protection to investors while supervising the environment to ensure that the systems and market intermediaries within it, operate fairly and transparently. Included in its mandate is an educational thrust designed to provide investors and potential investors with the tools to make wise financial decisions.

As the primary regulator of the securities market in Trinidad and Tobago, the TTSEC, is an Ordinary Member of IOSCO, an association of regulatory commissions which regulate the world's securities markets. IOSCO has published 38 Objectives and Principles of Securities Regulation that have set the standards for achieving the basic objectives of such regulation – namely, the assurance of fair trading, the maintenance of integrity, avoidance of systemic threats to markets and the education of investors.

Based on its obligations as specified in the Act, the Commission developed a Strategic Plan with three significant goals, one of which is to foster the development of the securities industry. Our investor education programme is one tool which we utilise to achieve this goal and one of our targets is secondary school students.

The Commission recognised that while the relevant Caribbean Examinations Council (CXC) syllabi discussed parts of the financial services industry in Trinidad and Tobago, information on the securities industry was lacking. We therefore discussed the issue with the Ministry of Education and indicated our strategic goal to educate and empower investors in order to facilitate greater participation in the securities market. It was agreed that the Commission would partner with the Ministry of Education to incorporate financial/investor education as part of their curriculum and social programmes.

The goal of the project was to develop supplemental documents to aid instructors and students in better understanding the financial sector, inclusive of the securities industry, in Trinidad and Tobago.

Our objective was to:

- Develop an Instructor's Manual to assist Secondary Schools' Business and Economic Teachers in delivering a holistic approach to disseminating investor education basics as they relate to the financial sector in general and the securities industry in particular.
- Develop a Student Workbook that will aid basic financial literacy and investor education.

Our target group was primarily Business and Economic teachers and secondary school students, aged 14-18. However the programme would also be applicable to other Form levels/classes as part of life skills learning.

The programme incorporates seven core target areas including the importance of the securities industry to the financial services sector in Trinidad and Tobago, and the role of the TTSEC in regulating the industry.

We thank the Ministry of Education and especially the staff of the Curriculum Division, located at the Learning Resource Centre in Chaguanas, for their assistance in this project.

Hadyn Gittens

Hadyn Gittens
Chief Executive Officer,
Trinidad and Tobago Securities and Exchange Commission

Message: Ministry of Education

The Government of the Republic of Trinidad and Tobago

MINISTRY OF EDUCATION

Officer of the Chief Education Officer

Message from Chief Education Officer

Saving and investing are important considerations in small economies as they seek to create and sustain economic viability. Accordingly, investor education is crucial at this time as our country seeks to revive our economy and pave the way through entrepreneurship for increased growth and development.

The Trinidad and Tobago Securities and Exchange Commission has created a Teachers' Instructional Manual and Investor Educator Student Workbook which are tools designed to better inform students about the role of the Securities and Exchange Commission in the financial landscape of Trinidad and Tobago. These resources contain materials for learners at lower and upper secondary schools. Students are provided with the opportunity to experience the mechanics of financial planning utilizing an interactive workbook. The overall goal is for students and teachers to become aware of the practices and procedures involved in making sound financial decisions to positively impact their financial decision making now and in the future.

I take this opportunity on behalf of the Ministry of Education to congratulate the Securities and Exchange Commission on the production of these teaching tools and express sincerest thanks for continuing to honour their corporate social responsibility via this initiative.

Harrilal Seecharan

Harrilal Seecharan
Chief Education Officer
MINISTRY OF EDUCATION

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Preface

Raising the public's awareness of the securities industry is a core mandate of the **Trinidad and Tobago Securities and Exchange Commission (TTSEC)**. The TTSEC is engaged in a number of outreach activities and initiatives, and in an effort to ensure a more sustainable approach to educating about the securities industry, sought to integrate this learning within the education system.

Subsequently, the TTSEC undertook the development of a Teacher's Manual and Student Workbook to boost awareness of the securities industry, and position the industry as a key component of our financial landscape, one which contributes significantly to our economy.

The banking and insurance sectors are foremost in the minds of the teachers and their students within the Business and Economics fields of study. The intent, therefore, is to introduce the securities industry as a core area of study within these curricula, to shape a balanced picture of the financial sector in Trinidad and Tobago.

The TTSEC is committed to protecting all investors and potential investors. As such, instilling information about the securities industry at an early age, favourably positions these young adults to better cope with financial situations throughout their lives and contributes to a more financially informed generation.

The Teacher's manual with its Investor education focus is the first formalised educational tool of its kind in the country. We are excited at the opportunity to impart such knowledge within the education system, and pleased to have worked with the Ministry of Education's Curriculum Division in developing this document.

Introduction

This manual introduces concepts related to financial and investor literacy, and developing financial capability. It is an ideal teaching tool for secondary school teachers, Forms One-Five, primarily within the subject areas of Business and Economics. The Manual delves into topics such as: Goal-setting and financial decision-making; concepts of saving, investing and debt; investing essentials and identifying financial and investor fraud or scams. This document can be used as a separate document or blended with other instructional materials and/or with the schools' curricula.

This teacher's manual is supplemented with a student workbook. The student workbook includes core practical exercises for students to grasp key concepts and apply the knowledge learned, towards their personal financial development and management throughout life.

Experiential learning is at the core of this Manual and Workbook, providing avenues for students to participate in activities; reflect on their experiences, analyse accordingly and apply the knowledge they have learnt by connecting to real examples.

The following table identifies the core areas of study within the Secondary School system that are applicable to the various Units within this Manual and corresponding Workbook.

SYLLABUS CONTENT	(TTSEC's) Investor Education Manual
CSEC Principles of Business (POB)	
Section 1 Nature of Business Section 8 Business Finance	Units 1-9
CSEC Economics	
Section 1 Nature of Economics	Units 1-9
Section 5 The Financial Sector	Units 1-9
NCSE Technology Education (Entrepreneurship Strand)	Units 1-9

Goal Setting

UNIT ONE

LEARNING OBJECTIVES

At the end of this Unit, students will be able to:

- *Define financial goals*
- *Differentiate among short, medium and long-term goals*
- *Describe how money impacts achievement of goals in terms of saving, investing*
- *Develop techniques for setting goals*

INTRODUCTION

This session introduces students to the concept of goal setting – through questioning. It engages students to develop/ guide their thinking towards developing their own goals; differentiate among short, medium and long-term goals; and set the foundation for the other Units in this manual.

In-class Activity

Write the following goal-oriented behaviours and ask students to read each one aloud.

- Peter wants to get selected for the school's football /cricket team
- Shanice needs a score of over 80 in her Geography test if she is to participate in the national schools competition next week
- Don is saving to buy a new phone
- Taran is building up the courage to perform her qualifying solo at the next audition
- Brent wants to ask Katrina to the concert next weekend

ASK THE CLASS – *What do these all have in common? The expected answer will be that all five teens want to achieve something. These five individuals have goals.*

Ask the class which one of them is a financial goal and ask them why. The expected answer will be because it involves money that will be used to achieve a goal over time.

What is a Financial Goal?

A financial goal is something one aims for over time and which requires money to achieve. These goals are sometimes widely shared for instance wanting to attend University or owning a vehicle. Other universal goals include:

- Travelling
- Starting and owning your own business
- Retiring comfortably, with a reasonable expectation that you will have adequate income for as long as you need it.

Key Questions:

- What are your goals?
- When do you want to achieve these goals?
- How are you going to achieve these goals?
- How much will it cost?

(Refer to Activity 1.1 - Goal Card, in the Student Workbook)

UNIT ONE

Goal Setting

Once an individual is aware of his/her financial goals he/she can work with an investment professional or financial planner to assign a realistic timeframe, a price tag and the kinds of saving and investing strategies that may be appropriate for achieving these goals. Always ensure that you consult a registered financial / investment adviser.

Short, Medium and Long-term Goals

All goals fit into one of these categories and part of goal-setting also involves estimating when you will need the money.

Goals should be **SMART**:

Short-term goals are those than can be achieved within a short time frame – within two to four months.

QUESTION:

Ask the class what type of realistic financial goals could they set within this timeframe? This will be determined by the amount of money an individual can save over this period of time and this will vary from individual to individual based on their daily, weekly and monthly income.

Examples of this include: saving to buy a graduation dress, or a pair of shoes; saving for a new school bag/or sports gear.

Medium-term goals are those that can be achieved between four to six months, or even up to one year or two.

QUESTION:

Ask the class what type of realistic financial goals could they set within this timeframe? Again this will be determined by the amount of money an individual can save over time and this will vary from individual to individual based on their daily, weekly and monthly income.

Examples of this include: saving to buy a tablet (electronic device), a video game or cell phone; a piece of hand held exercise equipment.

Long-term goals usually refer to goals set for three or more years.

Goal Setting

UNIT ONE

QUESTION:
Ask the class what type of realistic financial goals could they set within this timeframe? Again this will be determined by the amount of money an individual can save over this timeframe and this will vary from individual to individual based on their daily, weekly and monthly income.
Examples of this include: saving for tertiary education, a new car, a home etc.

QUESTION:
Ask the class – What is the relationship between short/medium term and long-term goals? Expected answer – One can set short or medium-term goals towards achieving long-term goals. This process helps to make the long-term goal more achievable.

For example – Zack saves $50 a week for two years to be able to buy a bicycle costing $2600. Zack needs to save $1300 by the end of each year to be able to reach his goal. He ideally needs to save approximately $7 a day for two years in order to achieve his goal. Checking in every six months will help to gauge his progress over time, and assess whether he needs to adjust his timeframe for meeting these goals.

ACTIVITY

(Refer to Activity 1.2 Differentiating among short, medium and long term goals, in the student workbook)

In-class Activity

Short-term goal setting

Print copies of the contract on the following page for each student. Pair them up. Indicate what the contract is about – The contract is a signed agreement between two parties that indicates what each party is responsible for and it is signed by a witness to the agreement.
Go through the contract with the students indicating what is required in each space.

GOAL SETTING

MY CONTRACT

PART A

I, ______________________________, do hereby declare that I will achieve the following
(Name)

short-term goal on or before: ______________________________________
(Date)

My goal is to ____

In order to achieve my goal, I will complete the following steps:

1. ____

2. ____

3. ____

4. What I expect when my goal is achieved ___________________________________

PART B

I, ______________________________, do hereby declare that I will support
(Partner's Name)

______________________________ in accomplishing her/his goal by ______________
(Date)

I agree to do the following three things to support my partner's work toward her/his goal:

1. ____

2. ____

3. ____

Upon completion of the goal, I will reward her/him by: _________________________

Signed: ____
(Name)

Signed: ____
(Partner's Name)

Witnessed by: ____

Date: ____
(Date)

Life Planning Education, Advocates for Youth, Washington, DC

Students, with the help of a partner, will practise goal-setting. Working with others to set goals can help to realise your own goals. It is the way that many teams and businesses operate.

Goal Setting

UNIT ONE

Each partner will help the other accomplish a specific goal over the period of one or two weeks. The teacher will review each contract to ensure that the financial goal meets the necessary requirements of a short-term goal. While not necessarily matching goals to specific students, share with the class some of the items listed in each area.

After a week, have each student revisit their contracts and generate discussion using the following:

- Did you achieve your goal?
- Was it a difficult task?
- Why or why not? (It is common for people to not attain their goals. People set goals all the time and may not achieve all of them. Some people give up or set another goal, one that is more achievable and realistic)
- How did your partner help you to achieve your goal?
- Did you need additional help?
- What obstacles did you encounter? (Competition; priorities; peer pressure; lack of money and other resources; the goal may not seem important at this stage in life)
- Did you have to sacrifice anything?
- Did your actions have an impact or affect anyone else?

Reflection and Summary

Have students individually or in groups:

Write the three most important things they learned about goal setting.

Points should include:

- Differentiating your financial goals from other life goals
- Understanding short, medium and long term goals
- Goal setting using SMART goals as a technique

(Refer to Activity 1.3 Money Goal worksheet, in the student workbook)

(Refer to Activity 1.4 – Timeline – Looking at my Life past and future, in the student workbook)

– This can be done by the student at home.

UNIT TWO

Decision Making

LEARNING OBJECTIVES:

At the end of this Unit, students will be able to:

- *Distinguish between wants and needs*
- *Explain the decision-making process*
- *Explain the concept of prioritising*

INTRODUCTION

This Unit provides students with the ability to recognise the difference between personal needs and wants, helps students set priorities and make sound financial decisions required for saving, budgeting and financial planning.

Needs vs. Wants

An important component of financial planning is determining and differentiating between your wants and your needs.

Define or explain the concept of **'Needs'** – An individual's needs are those items necessary for survival. Have students indicate aloud what these may comprise – water, food, clothing, shelter, medical care.

Define or explain the concept of **'Wants'** – An individual's wants are those things not required for survival, but which are desired for improved comfort and satisfaction. Wants vary according to each individual's tastes, likes and lifestyles. Wants are considered non-essential items. Have students list some of these – types of sneakers, handbags, dresses, electronic items, etc.

Establishing Priorities

Describe the 1-2-3 system for establishing priorities and have the class give examples of each. Encourage discussion about how to rate different items.

- **1 – Items that are essential for healthy living**
  (e.g., basic food, clothing, shelter, etc.)
- **2 – Items that are not essential but important**
  (e.g., a car, bank card, entertainment, education, etc.)
- **3 – Items that are not essential and not important**
  (e.g., popcorn at the movies, new music, video games, etc.)

Refer to Activity 2.1 – Needs, Wants, Priorities Sheet in the student workbook

Have Students:

- Assign a figure/cost to each non-essential item on their list
- Calculate the amount of money spent on common non-essential purchases on their lists (e.g. soft drinks, music, clothing, etc.).
- Total their spending on non-essential items
- Discuss what else they could do with the money

Decision Making

UNIT TWO

Following the discussion, explain to students that individuals experience needs and wants differently based on values, culture, background, age etc. Understanding which of your needs are important or which take priority, will help to initiate the development of an effective budget. Of note, values change over time because of our life experiences. Values in turn influence our needs and wants and ultimately our goals.

Values are related to financial planning. For example, your parents value your education hence, they focus on investing in your education. Therefore they may be more inclined or motivated to save for your schooling expenses. Similarly, if you value a comfortable retirement you will value saving for your retirement.

ACTIVITY

Refer to Activity 2.2 – Spending Decisions Personal Quiz – Students can complete this out of class

Scenarios - Think Tank and Discussion

Read the following two scenarios to the class and ask them in groups or as a class to share advice that they would give to the individual.

Life Example 1 – Leo is an 18 year old boy whose goal is to be an accountant. He does well in school, but his family doesn't have a lot of money and wants him to help cover the household expenses by getting a job. He is very focused and willing to make sacrifices to achieve his goal. What should he do?

Life Example 2 – Mandy is a 16 year old girl who is saving money so that she can study to be a nurse. One day she finds out her uncle has passed away, and her father asks her to help pay for the funeral. Mandy has always wanted to become a nurse, but she loves her family and wants to support them as well. What should she do?

There is no right or wrong answer. The exercise encourages the students to think about life, its challenges and the need to refocus their goals to meet the reality of what life offers each day. Whether that means adjusting the time to achieve your goal, doing something differently, setting priorities, giving up something etc.

ACTIVITY

Refer to activity 2.3 – Understanding your Needs, Wants, and Priorities Quiz - Assignment

A Step Further

Opportunity Cost

Explain to the students the concept of "Opportunity Cost" and how it applies to financial planning and investing.

Opportunity Cost – Opportunity cost refers to a benefit that a person could have received but gave up, to take another course of action. Simply put, it is the thing you are willing to give up so that you can accomplish something else. When you look at your options in this way, and put a cost to your decisions, you may be able to prioritise better. It may be a goal, or a need or a want. The benefit or value that was given up can refer to decisions in your personal life, in a company, in the economy, in the environment, or on a governmental level. Refer to the previous examples and see what the opportunity costs in those examples are.

UNIT TWO

Decision Making

Example 1: The ***'Opportunity Cost'*** of pursuing CAPE and going to University right after school, would be the money/opportunities you would have lost out on if you started working earlier. The benefit to studying is the hope or expectation that you will earn a higher salary once you have your certification.

Example 2: The ***'Opportunity Cost'*** of foregoing a movie to stay home and study for a test in order to get a good grade, would be the cost of the movie and the enjoyment of seeing it. The benefit would be a good grade based on the extra studies put in.

Ask students to come up with other examples and share with the class.

In both cases, a choice between two options must be made. It would be an easy decision if you knew the end outcome; however, the risk that you could achieve greater "benefits" (be they monetary or otherwise) with another option is the opportunity cost.

Offer a solution to students. Show students the following pyramid - Three C's of good Decision-Making.

Refer to Activity 2.4 - Three C's of Good Decision-Making in the Student Workbook.

Reflection and summary.

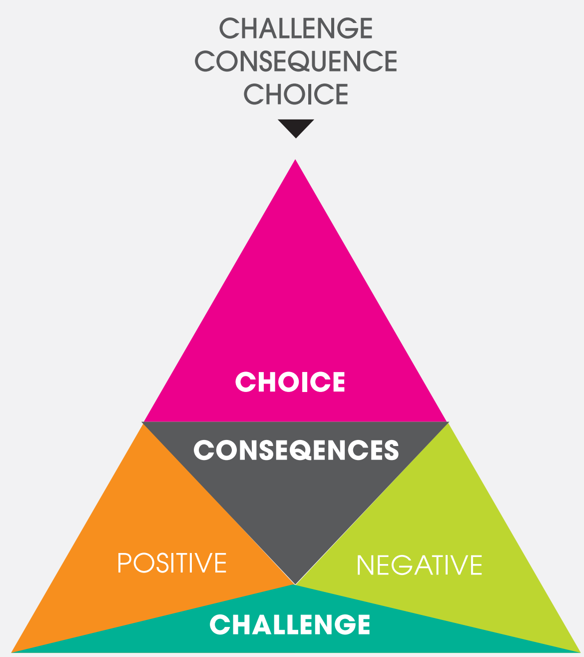
Have students individually or in groups:

Write the three most important things they learned about needs and wants.

Review the items students listed with the class. Points should include:

- People have needs and wants, which vary from time to time and person to person
- Lifestyle choices and values affect needs and wants
- The importance of setting spending priorities so you will have money for the things you really need and want
- Many factors influence how you spend, including emotions, habits and peer pressure.
- By managing wants and focusing on priorities, people can begin to manage their money
- The value of analysing options and prioritising in terms of opportunity cost – as you forego one option for another.

THREE C'S OF GOOD DECISION-MAKING.



Saving and Investing

UNIT THREE

LEARNING OBJECTIVES:
At the end of this Unit, students will be able to:
- *Identify reasons for saving and also prioritise those reasons*
- *Identify saving goals*
- *Differentiate between saving and investing*

BIG IDEA – Pay yourself first. Start early and save regularly. There are many saving and investing vehicles to choose from. Do your research and get reliable advice. Visit www.ttsec.org.tt to view the list of registered Investment Advisers in Trinidad and Tobago.

INTRODUCTION
This Unit introduces students to the concepts of saving and investing. It includes linking financial goal- setting to saving and investing, understanding the need to save and ways in which persons can secure their financial future.

QUESTION
ASK STUDENTS:
- Do you save money? Show by hands;
- Do you save regularly? Show by hands
- What do you save money for? – write a list on the board
- Why do we save? – write list on board.

Show the following information either in a slide format using a projector and screen, or hand-out:

Why do we save for the future?

- Feel more secure and in control
- Be prepared for emergencies
- Reduce stress and conflict
- Spend with less guilt or fear
- Afford major purchases
- Pay off debt and avoid new debt
- Retire comfortably

Creating Savings Goals

Point out that one of the reasons people aren't saving is that they don't have specific goals, so they aren't motivated to save.

UNIT THREE

Saving and Investing

Show the following information either in a slide format using a projector and screen, or hand-out:

- Make your goals specific
- Set a dollar amount and deadline.
- Break your goal into smaller goals.
- Write down your goal and post it where you can see it every day.

Show these examples of savings goals:

- Save some money for a rainy day. - A vague, not very useful goal
- Build an emergency fund of $2,000 by saving at least $1000 by the end of the year
  - An achievable goal
- A smaller goal: Save $200 a month, or $100 every two weeks, rather than saving $2,400 in a year.

Ask participants to write down their goals and ensure that they are specific (SMART Goals)
Have participants share their savings goals.

ACTIVITY

Refer to Activity 3.1 in the Student Workbook. Saving and Investing

There are four steps to saving

Show the following:
1) Set up an emergency fund
2) Pay yourself first
3) Make savings automatic
4) Grow your savings

Set up an emergency fund

- The first thing to do is to set up an emergency fund
- Save 3 to 6 months' worth of take-home pay
- This is what you'll rely on if you lose your job, get sick or have unexpected expenses
- Keep the money in a separate savings account or in an easily cashable investment
- Don't rely on credit cards, bank loans or personal lines of credit (borrowing) for an emergency
  – and don't spend your emergency fund on non - emergency expenses

Pay yourself first

- Have you ever heard the phrase "Pay yourself first"? ;
  It means to set aside your savings before you spend on other things.
- Treat savings like any other recurring bill that you must pay each month
- Put aside a set amount of money from every paycheque without thinking about it

Saving and Investing

UNIT THREE

Make savings automatic

The way you pay yourself first is by making savings automatic

Ideally you should be saving 5% -10% of your salary/income

For example, if you earn $2,000 a month after tax: Saving 5% = $100 a month = $1,200 a year

Saving 10 % = $200 a month = $2,400 a year

Set up direct debits from your bank account or paycheque. If students don't have an account, they can ask their parents to help setup an account and make monthly deposits, or take you to the bank to do your own transactions.

Extra money - from an allowance, grandparents or relatives, as gifts, or money received from doing chores, etc. Save it!

Grow Your Savings - Concept of Investing

Ask participants ...

- What is investing? or
- What does it mean to invest?

Write the answers on the board.

Explain to students that, Investing means putting your money to work for you. It's a different way of thinking about making money. The key to investing is savings.

There are many different ways in which you can go about making an investment. This includes putting money (or your savings) into stocks, bonds, mutual funds, real estate, or starting your own business. Sometimes people refer to these options as "investment vehicles". These investment vehicles will be discussed later on in the other Units.

It does not matter which method you choose for investing your money, the goal is always to put your money to work so that it earns you an additional profit.

Reflection and Summary.

Have students individually or in groups:

Write the three most important things they learned about saving and investing.

Review the items that students listed with the class. Points should include:

- Savings goals
- Four steps to saving
- Pay yourself first
- Conducting research and getting advice from reliable sources - Impress upon students that anyone seeking to invest in securities, must consult a registered Investment Adviser before engaging in any investment decision.
- Saving in order to invest

UNIT FOUR

Budgeting

LEARNING OBJECTIVES:
At the end of this Unit, students should be able to:
- *Effectively manage their money*
- *Explain basic budgeting concepts*
- *Identify the main parts of a Budget*
- *Create a Personal Budget*

INTRODUCTION
This Unit exposes students to the importance of budgeting and planning towards achieving their goals. It links the importance of prioritising and separating needs from wants. It is about basic money management.

QUESTION
Ask students ***'What is a budget?'***
Write answers on the board

Indicate that ***'A budget is a plan for managing your money'***. It is an estimate of income and expenses over a period of time. With a personal budget, you can get a better idea of how you spend your money.

It is an excellent money management tool that helps you achieve your financial goals. It is especially important if:
- You find that your money is not meeting all your needs
- You don't know where your money is going
- You have problems paying off your debt
- You don't save regularly
- You want to find ways to make your dollar stretch further

A budget helps you see clearly:
- How much money you receive,
- How much you spend and
- How much you save/ or can save.

The first step to a Budget is tracking your expenses.

ASK STUDENTS –*'What is your income? Money that comes to you in the form of a paycheque, an allowance, money for extra chores, presents, windfall (lump sum) eg. Inheritance.*

Ask students 'What are your expenses?'
Expenses are anything you spend your money on. To track your expenses, you will need to write down every dollar you spend.

Budgeting

UNIT FOUR

Allow students to make a list of all their expenses and write them on the board.
Explain that expenses can be fixed, variable or periodic.
Fixed expenses are expenses that occur every month and cost the same amount of money every month. Examples include the repayment of a loan, hire purchase payments, mortgage, a car payment or a house payment.

Variable expenses are expenses that usually occur every month, but the amount of money that you spend on them may change, depending on usage. One example of a variable expense could be gasoline or food – groceries, coffee, take-out meals, entertainment expenses, electricity or phone bills.

Periodic (or occasional) expenses are expenses that do not occur each month but possibly every few months. One typical periodic expense could be an insurance bill. Car insurance, for instance, usually is paid on an annual basis. Clothing, gifts or vacations can also be considered occasional.

ACTIVITY

Refer students to the activity 4.1, Expenses Sheet, in the student workbook.

Ask students what they observed from this exercise? Refer to their needs vs. wants. Are there things they can cut back on?

Explain to students that in order to create their personal budget they need to track their expenses, or spending, for at least a month, and the longer the better. They should keep all their receipts, as this will help them to track their expenses. They should also log their non-cash spending/transactions, which include spending from a debit or credit card.

This will give them insight into where their money is going, and also help them determine where they might be able to spend less and save more. By tracking their expenses, they will be able to better plan for their future needs.

Before they start making their budget, encourage students to think about their financial goals. Ask them the following: Do you need to pay off a debt? Do you need to save for an item? Do you want to start saving for your retirement?

ACTIVITY

Refer students to activity 4.2, Mapping your personal budget, in the student workbook.

Lead a short discussion:

What surprised you? What did you learn? How many of you had a surplus/deficit?

Explain that they can save a surplus to invest and make their money grow. However with a deficit they'll have to cut their expenses to better manage their income.

UNIT FOUR

Budgeting

Budgeting helps to cut down on spending and increase savings. It also helps to reallocate funds in order of priority.

ACTIVITY

Refer students to activity 4.3, Budget Worksheet, in the student workbook. This can be done as an assignment.

Reflection and Summary

Have students individually or in groups:

Write the three most important things they learned about budgeting.

Review the items which students listed with the class. Points should include:

- Elements of a Budget – Budget; Savings; Income; Expenses
- Types of Expenses: Fixed; Variable; Periodic (Occasional)
- The difference between an expenses sheet and a Budget worksheet
- Benefits of doing a Personal Budget Worksheet

Managing Your Debt

UNIT FIVE

LEARNING OBJECTIVES

At the end of this Unit, students should be able to:

- *Distinguish between the terms credit and debt*
- *Explain basic information about the usage of credit cards*
- *Explain credit as a form of debt*

INTRODUCTION

Debt is an important area of financial management which must be understood in order to effectively begin saving. Credit card debt is a common form of debt in Trinidad and Tobago and will be used as a practical example to better understand debt management.

Debt

Ask the class what they understand by the term debt. List the answers on the board.

Basically debt refers to an amount owed to a person or organisation for funds or money borrowed. Debt can be represented as a loan, a bond (will be discussed later on), mortgage or other form stating repayment terms and, if applicable, interest requirements. These different forms all imply intent to pay back an amount owed by a specific date, which is set forth in the repayment terms.

If you borrow money from a friend or family member, you have incurred a debt.

Ask the class what they understand by the financial term credit. Write the comments on the board. Credit is a loan of money from someone with the expectation that the money will be paid back at a later date.

Credit and debt are partially symbiotic in nature however – Explain to students that, you can't have debt without credit, but you can have credit without debt. Ask students to keep this in mind as you move through the lesson.

Interest, is the cost associated with borrowing money. It is the cost tagged to using the loaned money, which is added on to the principal amount borrowed. Interest, is the additional cost that one pays for borrowing money.

For Example: *If you borrow money you pay interest, if you lend money you can earn interest.*
Take a look at this example - You borrow $500 from your brother at 5% interest.
5% interest =5/100 x 500 =$25
$500 + 5% interest ($25) = $525
$525 is what you will owe your brother. Your bother earns $25 in interest from you for the loan.

The most common use of credit is via credit cards. Credit cards are cards commonly issued by financial institutions.

UNIT FIVE

Managing Your Debt

Point out to students that there are other types of debt.

Credit card debt is not the only kind of debt people incur. Individuals also take out participant/member loans for e.g. if aligned with a credit union, mortgages (for a home), car loans, student loans, personal loans from friends or relatives etc.

Credit Card Terminology

Annual Fee – An amount charged to a credit card holder by some creditors to maintain an account. Annual fees are charged regardless of whether a credit card is used or not.

Credit Limit –The amount of credit you are authorised to use.

Interest Rate – The percentage charge applied to your credit balance each month.

Grace period – The period of time from the billing date of your last credit card bill to the due date of your current bill, which is when you can pay in full without being charged interest

Late payment fee – A charge applied to an outstanding balance on a credit card if a required payment is not received by a specific date or received after the grace period.

Minimum Monthly payment – The smallest amount or balance that must be paid before the due date.

Cash advance fee – the percentage charged for withdrawing money in advance from the credit card.

Over-the-limit Fees – A charge imposed on some credit accounts for spending more than your credit limit

Advantages and Disadvantages of Credit

Using credit can have its advantages and disadvantages. Explain to students that if they spend within their means and pay off their balance on time and in full each month, credit cards can serve as a safe, convenient substitute for cash — with the added bonus that they can help establish and maintain a solid credit history.

But if they use them to purchase items they could not otherwise afford — or "max" out their cards to cover routine monthly expenses — credit cards can quickly compound their debt.

The Truth about Credit Cards

Credit cards are issued by financial institutions who must be registered with the Central Bank of Trinidad and Tobago. Many credit cards incur interest rates that run as high as 18 percent annually — which can add up quickly if the balance is not paid in full before the next month.

Managing Your Debt

UNIT FIVE

Consistently carrying over your balance can result in you incurring more cost charges over time, based on your outstanding loan payment. If you owe money on your credit card/s, the wisest thing you can do is to pay off the balance in full as quickly as possible. Otherwise, money that could be going into an interest-bearing savings account is going to pay interest instead.

Explain to students that an individual is allowed to pay a minimum on the credit card, but paying only the minimum balance due each month, can land the person in a cycle of debt. It can take several years to pay off their credit card by only making the minimum monthly payment.

Demonstrate this example on the board. *For example, say you owe $4,000 on your credit card. The interest rate is 20%. If your minimum monthly payment is $200 – or 5% – it will take you about 2 years to get out of debt. Assuming that you do not make any further purchases to increase your debt, you'll end up spending about $800 in interest.*

Principal =$4000
Monthly Payment = $200
Interest Rate - $4000 x .20 (20%) = 800
Total amount=$4800
Time = 4800 ÷ 200=24 months (2 years)

Key Points

- Pay the balance in full each month.
- Don't make only the minimum payment.
- If you can't pay your full credit card charges each month, the best thing is to pay a fixed amount. The second option, upon receipt of your billed statement, is to pay the minimum monthly payment on the bill, plus an additional amount
- A good rule of thumb would be to pay your charges a few days before the due date – to avoid missing the due date should it fall on a weekend or on a public holiday.

Explain to students that when an individual signs up for a credit card, he/she agrees to certain charges, terms and conditions. There are also rules about what credit card companies can and can't do, and about the information they must include on their monthly statement. Before deciding to own a credit card, remember to conduct the relevant research.

Point out: There is a wide range of credit cards available, all with different features, rewards and fees. Explain to students that they need to:

- Choose carefully so that they get the credit card that best suits their needs and
- Plan on how they intend to effectively use the card

Point out: The interest rate isn't the only thing they need to check out; they also need to find out what kind of fees they will have to pay to use the card.

UNIT FIVE

Managing Your Debt

Remind students that when they pay for something with a credit card, they are taking out a loan and they have to eventually pay it back.

Refer students to Unit Five, Activity 5.1 in the Workbook.

Positive Debt

Remind students that when they take out a loan, they automatically owe that money and thus will be in debt. Indicate to students that they may all accumulate debt at some point in their lives. Especially when they consider the two greatest costs that they may face–funding education and buying a home.

As such debt is not a complete negative and if used wisely can be a great asset. First, let's consider why we should or should not use debt. As mentioned earlier using debt to fund your education or purchase a home (a mortgage) is always recommended. The reason it is recommended is because both of these expenditures are actually investments. Hopefully, what you invest in your education will reap benefits later in terms of higher salary and increased job prospects. Buying a house or land is usually one of the most stable and beneficial investments you can make, considering that real estate tends to appreciate in value. Therefore, these two investments are the first two to consider when acquiring positive debt.

Highlight the word ***(investments)*** as this will be used more often in the next Unit.

Negative Debt

Negative debt is any debt used to buy short-term consumer goods such as clothing, entertainment, electronics, etc. All of these items have a very short life span and usually have no added value when we decide to sell them. Therefore the money we spend on them is really money that we can never get back.

Ask the class what else do we take out loans for? The purchase of a vehicle is another reason that many people may accumulate debt. Though the value of cars tends to depreciate over time, their purchase is also something that most people cannot readily afford to pay for in cash. Therefore this is a debt that most of us have to incur. It does help to take a look at the resale value of the car you are looking to buy, to determine how much money you are likely to get back when you decide to sell the vehicle. This can be the difference between a poor investment and one that allows you to recoup some of your spent money.

One important aspect of debt that most people neglect is simple record keeping. Before taking out a debt, one should determine how much they can pay in instalments. You should have a file created in which you keep careful track of all debt you accumulate along with a payoff plan. If you can simply do this, you will have more control over your debt than the average consumer. Record keeping is the first step towards controlling your finances and it applies to debt, as well as it does to investments.

Managing Your Debt

UNIT FIVE

Tips for managing debt

- Shop around. Compare interest rates. Don't accept your first offer.
- Keep within your budget in terms of paying instalments – ensure that disposable income is sufficient to meet debt requirements and that there is still some leftover for your other expenses.
- Borrow only what you can afford to pay back regularly and on time.
- Pay back more and pay more often.
- Additional payments mean you'll pay it off sooner and pay less interest in the long run.

Reflection and Summary

Have students individually or in groups:

Write the three most important things they learned about credit cards and debt.

Review the items which students listed with the class. Points should include:

- Credit cards are issued by financial institutions who must be registered with the CBTT.
- Credit cards should be used once the user can pay off all credit at the end of the month
- Paying off your credit card in full at the end of each month is necessary to avoid incurring interest payments. The key to managing debt is to ensure you make your payments regularly and on time.
- Conduct your research on your credit card options – fees, charges etc. before opting to get one
- One can have positive debt or negative debt.
- Borrow only what you can afford to pay back

ACTIVITY

Refer students to Unit Five, Activity 5.2 in the Workbook.

UNIT SIX

Investing Essentials (Part A)

LEARNING OBJECTIVES

At the end of this Unit, students will be able to:

- *Clarify the difference between Saving versus Investing.*
- *Explain the concepts of 'interest' and 'compounding interest'.*
- *Explain growth through investing and the risks involved.*

BIG IDEA – Investing in securities is one means whereby individuals can make their money grow. Risk is always involved when investing in securities. There are no guarantees when investing in the securities market.

INTRODUCTION

This Unit reviews the core concepts from Unit three, Saving and Investing. It positions the concepts within the context of a process towards investing in the securities market.

Class Discussion

Ask students what is the difference between saving and investing. Write the answers on the board.

Indicate to students that they are both different concepts and should not be used interchangeably.

Saving is the act of putting aside money you earn, or receive as gifts, for another day usually in the short term.
Investing is the act of choosing products and strategies to make that money (savings) grow in the long term.

Indicate to students that people save and invest so that they can have enough money at some point in the future, to pay for the things they want or need.

Although the term ***"saving"*** is used generically to mean putting money aside for the future — as in the expressions ***"retirement savings"*** or ***"saving for a rainy day"*** — a particular characteristic of saving is that it's especially appropriate for short-term goals, those that you hope to accomplish in a year or two. In this case, you don't want to risk losing what you have accumulated.

In contrast, investing is usually more appropriate for mid-term and long-term goals, which are usually costlier. You invest in order to:

- **INCREASE YOUR NET WORTH** *(the amount of money you're worth – accumulation of your money and assets, for example: land, property, vehicles, etc.)*
- **GENERATE EXTRA INCOME**
- **MEET LONG-TERM GOALS**

Investing Essentials (Part A)

UNIT SIX

If you have specific financial goals that will cost money — such as purchasing a car, a home, paying for tertiary education or building a secure retirement — saving and investing can be the keys to achieving those goals.

Two of the key ways in which investments differ from savings accounts are:

- Investments have an element of risk and therefore can lose value. Additionally while bank deposits, up to $125,000 are covered by the Deposit Insurance Corporation, investments are not.
- Investment earnings are not guaranteed. If you choose your investments carefully and if the financial markets perform in your favour, your return — or what you get back on the amount you invest — can be higher than if you put your money in a simple savings account or lower risk investment opportunity.

When you invest, you buy something that you expect will grow in value and provide a profit, either in the short term or over an extended period.

Share this diagram with students.

SAVING AND INVESTING HAVE DIFFERENT CHARACTERISTICS

CHARACTERISTICS	SAVINGS	INVESTING
TIMEFRAME	**Short-term goals 3 years or less**	**Long-term goals**
ACCESSIBILITY	**Easily accessible**	**Can be sold but may result in loss**
RISK	**Safe**	**Involves Risk. An individual may make a loss on their investment if the principal investment is sold at a lower price than it was purchased.**
RETURN	**Low**	**Potentially high**

Refer students to Activity 6.1A in the Workbook.

UNIT SIX

Investing Essentials (Part A)

Saving for the future

There are various ways to save. Ask students how many of them save – show by hands. Where do they save their money?

Indicate to students that one way is to open one or more deposit accounts, such as a chequing or savings account, in a bank or credit union — a financial institution. Deposit accounts give you ready access to your money, and your account balances are typically insured by the Deposit Insurance Corporation (DIC) for up to $125,000, should a financial institution fail.

NOTE - ***While bank deposits up to $125,000 are covered by the Deposit Insurance Corporation, securities investments are not.***

The Deposit Insurance Corporation (DIC) was established by the Central Bank and Financial Institutions (Non-Banking) (Amendment) Act, 1986. The DIC plays a critical role in contributing to the continued stability of Trinidad and Tobago's financial system as a whole. Its main function is to manage a Fund to provide insurance protection for depositors against the potential loss of their deposits should a member financial institution fail. A list of financial institutions insured by the DIC can be found in the following link http://dictt.org/deposit-insurance/insured-financial-institutions/.

Indicate to students that saving and investing can be the keys to achieving specific financial goals - that will cost money — such as purchasing a car or a home, paying for tertiary education or building a secure retirement. Once you get into the savings habit and you've got a pool of money set aside, you need to put your money to work for you, to grow your savings. That is what we call investing.

Seeking growth through investing

If you are willing to take a certain amount of risk with the money you have saved, you can use it to make investments that you expect to be worth more in the future. Indicate to students that when you invest, there is an element of risk. Investments are volatile – the value of the investment rises and falls over time.

There are three major types of investments:

- *Investment in securities - Shares in a company (stocks, mutual funds that invest in stocks, etc.)*
- *Property (real estate, art, precious metals, etc.)*
- *Direct investment in a business*

Investment in Securities

There are three main types of securities products which are regulated by the Trinidad and Tobago Securities Exchange Commission and offered to the investing public in Trinidad and Tobago. These include:

Investing Essentials (Part A)

UNIT SIX

1) **Stocks**, or **equities**, which give you part ownership or shares in a corporation or company.

2) **Bonds**, which when purchased, are a loan to a specific entity, which promise (but usually don't explicitly guarantee) repayment of the money you invest plus interest for the use of that money. The 'issuer' or the entity selling the bond agrees to pay the buyer of the bond a specified rate of interest for a pre-determined length of time. The issuer will repay the face value of the bond (the principal) when it ***"matures,"*** or comes due.

3) **Mutual funds**, which are pooled investment vehicles that invest in stocks, bonds or other financial instruments.

These investment products are known as securities instruments. These terms and concepts will be further explained in the following Unit.

NOTE - *Over a long period (five or more years) investments tend to grow faster than savings. You should never invest until after you have adequate savings (at least three to six months of income to cover your living expenses).*

There are many products and services of value that one might choose to buy because one expects them to provide a profit, but the term ***"investment"*** can describe products that are traded in an organised and regulated marketplace. By investing, there is the risk that the investments chosen may not live up to desired expectations, or that volatility in the marketplace may depress investment prices. Of note, higher expected returns are accompanied by risk. There is also the possibility of loss if one decides to sell an investment for less than the price at which it was purchased. In a worst-case scenario, an investment can also lose all of its value. One can better manage his/her risk, however, by choosing a well-diversified mix of investments.

Return on investment

Investment return is what you get back (the profit) on an investment you made.
Ideally, the return will be positive, your initial investment or principal will remain intact, and you will end up with more than you invested. But because investing typically involves risk, your returns can be negative, and you can wind up with less money than you initially invested.

For example, let's say you buy a stock for $30 a share and sell it for $35 a share. Your return is $5 a share minus any commission or other fees you paid when you bought and sold the stock. If the stock had paid a dividend of $1 per share while you owned it, your total return would be a gain of $6 a share before expenses.

However, if you bought the stock at $35 and sold it at $30, you would have lost $5 on your investment, not counting expenses. If you earned a dividend of $1 per share, your actual loss would be reduced to $4 a share.

Total return = gain or loss in value + investment earnings (dividend)

UNIT SIX Investing Essentials (Part A)

Time and your portfolio

Time helps you to withstand the risks that accompany higher expected returns from investing in stocks, bonds or mutual funds. Most importantly, time allows you to recover from the potential short term losses.

Time can be important in several ways. Time can:

- Give you the freedom to take risks.
- Let your investments compound, or grow in value.
- Make it possible to plan for long-term investment goals, which are often the biggest and most challenging to meet.

Compounding

Compounding is what happens when your investment earnings or income are reinvested and added to your principal, forming a larger base on which earnings can accumulate.

The larger your investment base, or principal, grows, the greater the earnings your investment can potentially generate. So the longer you have to invest, the more you can potentially benefit from compounding.

Example. Your parents give you a cheque for $1000. You forget it or do nothing with it for a year. At the end of the year the cash value is still $1000.

If you deposit it, in an account paying 5% interest, at the end of the year you should have – $1,050. If you left the money at a fixed rate of 5 %, for 5 years, you would have $1,276.28 at the end of five years. You would have earned - $276.28 - Which is your compounded interest.

YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
$1,050 (1000 x 5%)	$1,102.50 (1050 x 5%)	$1,157.63 $1102.50 x 5%	$1,157.63 $1,157.63 x 5%	$1,276.28

Reflection and Summary

Have students individually or in groups:

Write the three most important things they learned about Investing.

Review the objectives with the class.

Points should include:

- Differentiating between Saving versus Investing; 'interest' and 'compounding interest'
- Understanding growth through investing and the risks involved
- The securities industry as part of the financial landscape in T&T
- Types of investment instruments
- Key players in the Securities Industry

Investing Essentials (Part B)

UNIT SIX

LEARNING OBJECTIVES

At the end of this Unit, students should be able to:

- *Understand that the securities industry is part of the financial landscape in Trinidad and Tobago*
- *Highlight the key players in the Securities Industry*
- *Explain the role of the regulator – Trinidad and Tobago Securities and Exchange Commission (TTSEC); the role of the Trinidad and Tobago Stock Exchange (TTSE) and the role of the Central Bank of Trinidad and Tobago (CBTT)*
- *Describe the different types of investment instruments*

BIG IDEA – The TTSEC is the sole regulator of the Securities Industry in Trinidad and Tobago.

INTRODUCTION

The role of financial regulators and the composition of the Trinidad and Tobago's financial landscape, is of core importance to this Unit.

The Financial Landscape of Trinidad and Tobago

Ask students if they know what comprises the financial landscape of Trinidad and Tobago. Or ask, ***"which institutions make up' the financial landscape in T&T?"*** List all of the comments. Then make two or more lists and start grouping according to the responsibilities and entities under the ***Central Bank of Trinidad and Tobago*** and those that fall under the ***Trinidad and Tobago Securities and Exchange Commission*** etc.

Indicate the difference between the role of the Central Bank and the TTSEC.

The Securities Industry is often overlooked as part of the financial landscape of Trinidad and Tobago. Generally the Central Bank of Trinidad and Tobago (CBTT) regulates or has direct supervision over the following financial institutions: Commercial Banks; Insurance Companies; Pensions Sector, the Exchange Bureau (bureaux de change) and the Home Mortgage Bank. The Central Bank Act is the primary legislation governing the CBTT. The Financial Institutions Act is also a critical piece of legislation for the CBTT.

The Trinidad and Tobago Securities and Exchange Commission (TTSEC) regulates the Securities Industry. Securities are considered financial instruments. These include: stocks (shares), bonds and mutual funds — which are legally considered to be securities within Trinidad and Tobago. Securities tend to be widely available, easily bought and sold, and subject to regulation by the TTSEC.

However, investing in securities carries certain risks as mentioned before. That's because the value of your investment changes, as the market price of the security changes, in response to investor demand. As a result, you can make money, but you can also lose some or all of your original investment.

UNIT SIX Investing Essentials (Part B)

The Securities Act (2012) is the primary legislation governing the operations of the TTSEC.

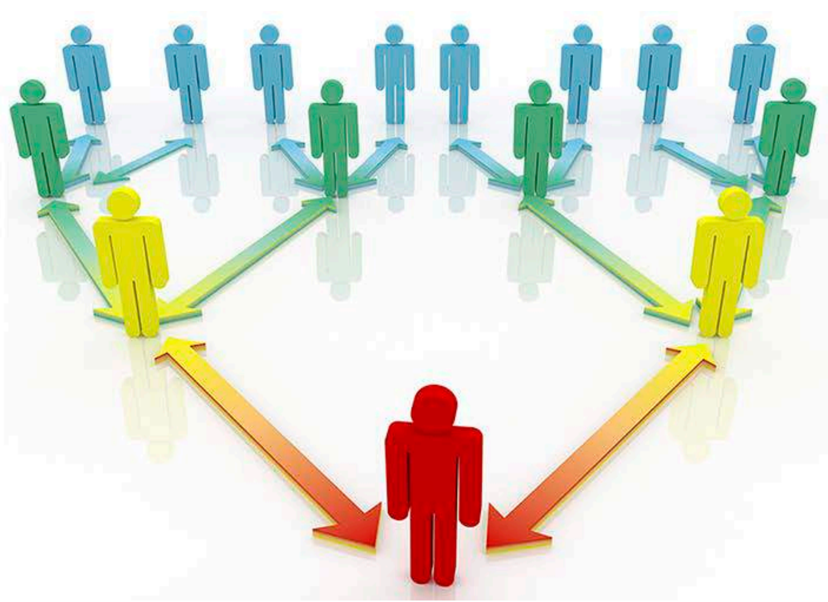
Differentiate between the role/s of the Trinidad and Tobago Stock Exchange (TTSE) and the TTSEC.

The T&T Stock Exchange (TTSE) is the nation's centralised marketplace for buying and selling shares and other securities. It facilitates the fair trading of a company's ownership with among potential investors.

The TTSE is a limited liability company and is owned by its shareholders which comprise:
Brokerage Firms; and Listed Companies.
It allows companies to raise funds/money by providing them with access to a pool of individual investors and institutional investors. An exchange's role in financial markets is pivotal for the development of the financial industry as it:

- Contributes towards increasing wealth for investors,
- Provides opportunities for companies to expand and grow their business/es – thereby creating new jobs and increasing production.

The TTSEC regulates the TTSE and also seeks to ensure that fair and transparent transactions are conducted to protect investors.

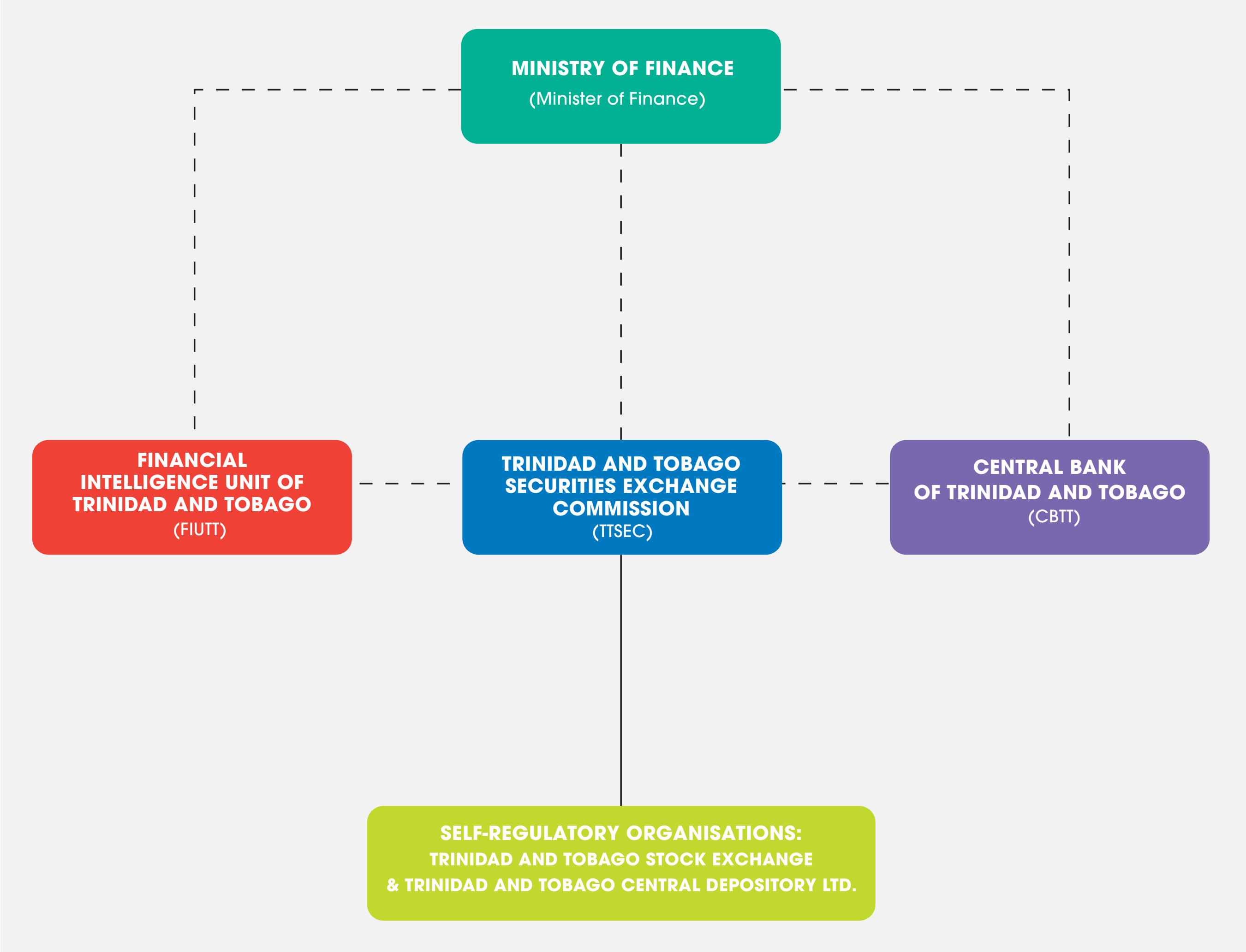


Investing Essentials (Part B)

UNIT SIX

Here's a framework to share with your class, identifying the key regulators in our financial industry. The regulators are all independent but have relationships which support each other.

INSTITUTIONAL FRAMEWORK OF THE SECURITIES MARKET



TTSEC's mandate is to regulate the securities industry. In order to do so it works closely with:

1. The Central Bank of Trinidad and Tobago (which regulates the banking, insurance and pension sectors);
2. The Financial Intelligence Unit of Trinidad and Tobago (responsible for overall Anti Money Laundering/Combating the Financing of Terrorism (AML/CFT) administration);
3. Self-Regulatory Organizations especially the Trinidad and Tobago Stock Exchange;
4. The Securities Dealers Association of Trinidad and Tobago;
5. The Mutual Funds Association of Trinidad and Tobago; and
6. The investing public (TTSEC conducts investor education sessions with any groupings which make a request for same e.g. schools and NGOs).

UNIT SIX

Investing Essentials (Part B)

The TTSEC also has direct oversight of the market players which include:
Self-Regulatory Organisations – as mentioned before
• Trinidad and Tobago Securities and Exchange Commission (TTSE)
• Trinidad and Tobago Central Depository Limited – A subsidiary of TTSE, which provides an efficient, safe and prompt clearing and settlement of securities transactions for participants by employing an automated data processing book entry system to track and monitor securities transactions in the market.

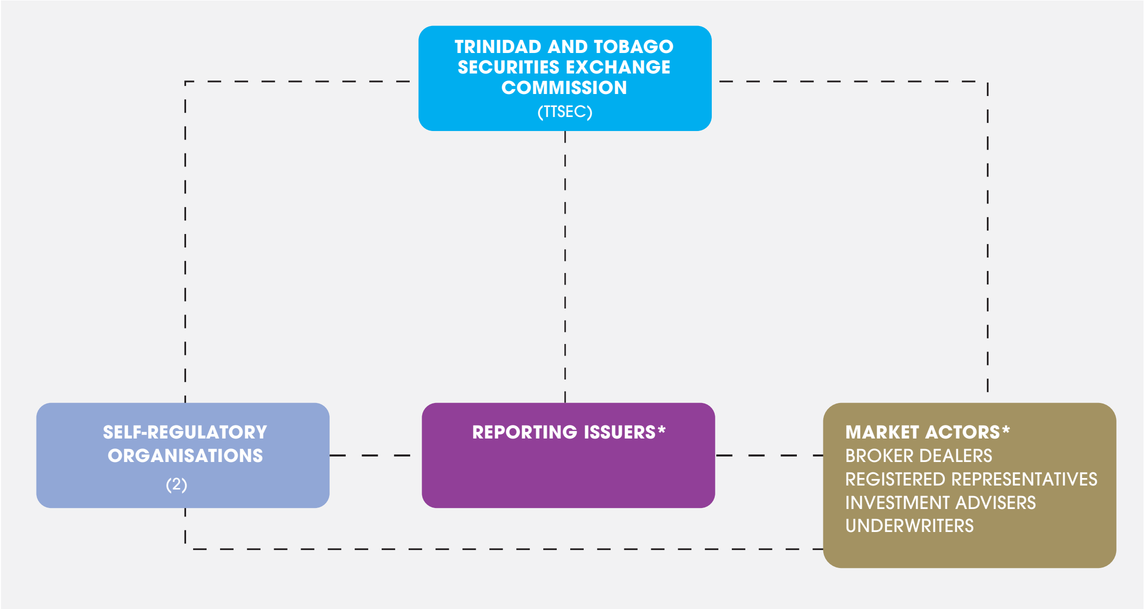
Market Actors

Market actors include the following:
- Broker-Dealers
- Registered Representatives
- Investment Advisers
- Underwriters
- Reporting issuers

These titles will be explained in the next Unit.

These players are all regulated by the TTSEC. Regulation ensures that these entities conduct fair and transparent transactions, and provide regular and accurate reporting to the Commission. The TTSEC thus ensures a safe and easily accessible market for all investors and potential investors. The diagram below shows the relationship between the market players.

DESCRIPTION OF THE TTSEC FRAMEWORK FOR THE SECURITIES MARKET



Investing Essentials (Part B)

UNIT SIX

Refer to Research Activity 6.1B in the student workbook.

Reflection and Summary

Have students individually or in groups:

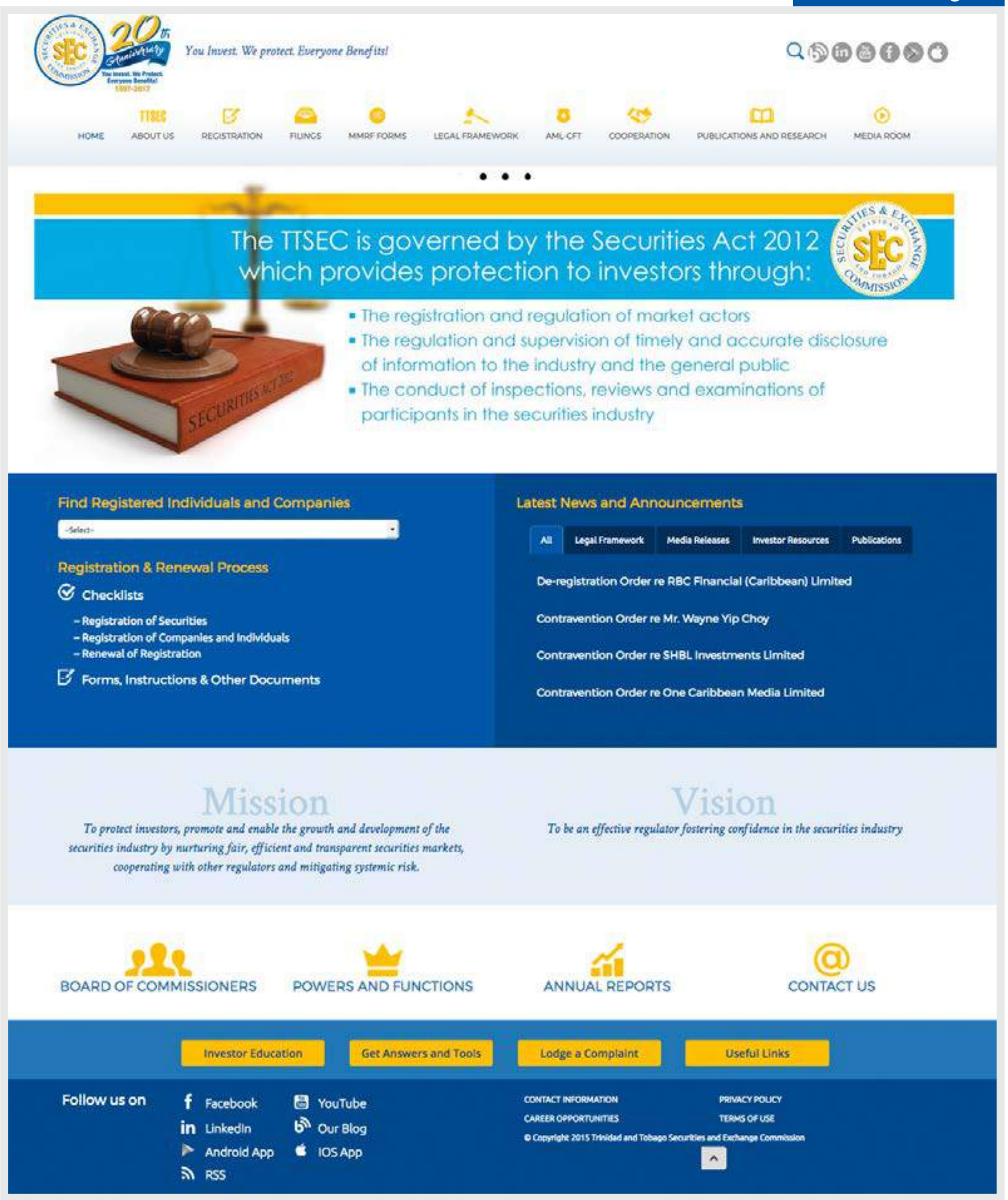
Write the three most important things they learned about Investing.

Review with the class the items which students listed.

Points should include:

- The securities industry as part of the financial landscape in T&T
- Types of investment instruments
- Key players in the Securities Industry

www.ttsec.org.tt



UNIT SEVEN Key Words and Terms in Investing

LEARNING OBJECTIVES

At the end of this Unit, students will be able to:

- *Explain key words and terms in the securities industry*
- *Debunk myths about investing*
- *Differentiate between budget and financial planning*
- *Develop a simple personal income statement*

BIG IDEA – Ensure you educate yourself about the securities industry and understand the key terminologies required to make sound investment decisions. Visit ***www.investucatett.com*** to learn more about these key terms from the TTSEC's online resources, tools and blog.

INTRODUCTION

In an effort to better understand key concepts in investing, students should be able to recognise and understand key words and terms within the securities industry. This Unit also couples a basic understanding of budgeting and financial planning, to help prepare students for the next Unit on building an investment portfolio.

Key Words and Terms in Investing

UNIT SEVEN

KEY WORDS AND TERMS

TERM	DEFINITION
A	
Annual Report	A comprehensive report that a company must provide to its shareholders every year. It provides information about the company's financial condition and operations over the past year. (All reporting issuers are required to file an Annual Report with the Commission at the end of their financial year).
Annuity	A product sold by an insurance company that provides a guaranteed fixed stream of payments to the holder for a specified period of time. Annuity plans provide a way for individuals to receive regular income after retirement.
Asset	A resource with economic value that an individual, corporation or country owns or controls with the expectation that it will provide a future benefit.
B	
Bear Market	A prolonged period of falling prices usually brought on by the anticipation of a decline in economic activity. It may also be characterized as a market where prices have fallen by 20% or more from their most recent high. A bear market in securities is normally triggered when investors sell off securities, generally because they anticipate worsening economic conditions and falling corporate profits. As prices fall, widespread pessimism among investors causes the negative sentiment to be self-sustaining.
Bonds	Debt investments in which an investor loans money to an entity (corporate or governmental). The funds are borrowed for a defined period of time at an agreed interest rate. Bonds are traditionally used by companies and governments to finance a variety of projects and activities.
Broker-Dealer	A person engaging in, or holding himself out as engaging in, the business of - (a) effecting transactions in securities for the account of others; (b) buying or selling securities for his own account and who holds himself out at all normal times, as willing to buy and sell securities at prices specified by him; or (c) such other activities as may be prescribed;
Budget	An estimate of revenue and expenditure for a specified period. Of the many kinds of budgets, A Cash Budget shows cash flow, an Expense Budget shows projected expenditure, and a Capital Budget shows anticipated capital outlays. The term refers to a preliminary financial plan.
Bull Market	A market in which prices are generally rising and investor confidence is high. The term is most often used to refer to the securities market but can be applied to anything that is traded such as bonds, currencies, and commodities. In contrast to a bear market, a bull market is characterized by optimism, investor confidence and high expectations for a strong future.
C	
Central Bank of Trinidad and Tobago	The Central Bank of Trinidad and Tobago's responsibilities are: • Issuing and redeeming currency • Developing and implementing monetary policy • Acting as banker and advisor to the Government • Acting as banker to the commercial banks • Issuing of securities on behalf of the Government • Managing the foreign exchange market and protecting the external value of the currency
Compounded Interest	Interest calculated on the initial principal and also on the accumulated interest of previous periods of a deposit or loan.
Compounding	This happens when your investment earnings or income are reinvested and added to your principal, forming a larger base on which earnings can accumulate.
Cross List	To trade a company's stock on more than one stock exchange.

UNIT SEVEN

Key Words and Terms in Investing

KEY WORDS AND TERMS

TERM	DEFINITION
D	
Deposit Insurance Corporation (DIC)	The DIC's main function is to manage a fund which provides insurance protection to depositors against the potential loss of their deposits should a member financial institution fail. The deposit insurance coverage limit is a maximum of TTD$125,000 per depositor in each capacity and right, in each member institution licensed under the Financial Institutions Act 2008.
E	
EXPENSES **Fixed**	Fixed expenses or costs are those that do not fluctuate with changes in production level or sales volume. They include such expenses as rent, insurance, dues and subscriptions, equipment leases, payments on loans, depreciation, management salaries, and advertising.
Periodic	Costs which occur on an irregular basis, rather than monthly. Examples of periodic expenses may include quarterly insurance premiums, or automobile maintenance costs.
Variable	Variable expenses or costs are those that respond directly and proportionately to changes in activity level or volume, such as raw materials, hourly production wages, sales commissions, inventory, packaging supplies, and shipping costs.
F	
FINANCING **Short-term**	It is required for meeting short-term needs. It is raised for a period of 12 months or less.
Medium-term	It is required for investment and for replacement of some fixed assets. It is raised for a period ranging from one year to ten years.
Long-term	It is required for investment in assets like land, building, plant, housing, and machinery, fixtures and fittings, patent rights and other fixed assets, and also for financing extension or expansion of business. Long-term finance is raised for a period of more than 10 years.
I	
Income Statement	A financial report that shows an entity's financial results over a specific period of time. The time period covered is usually for a month, quarter, or year, though it is possible that partial periods may also be used. This is the most commonly-used of the financial statements, and is the most likely statement to be distributed within a business for management review.
Insider trading	The trading of a *corporation's shares or other securities by someone connected to the corporation on the basis of material non-public information.
Interest	The price paid for borrowing money. Alternatively, interest can be viewed as the compensation to lenders for the use of their funds. It is expressed as a percentage of the amount owed to the lender. Interest rates are typically calculated on an annual basis.
Investments	Use of capital to create more money, either through income-producing vehicles or through more risk-oriented ventures designed to result in capital gains.
Investment Adviser	A person engaging in, or holding himself out as engaging in, the business of providing investment advice, and includes a person that provides investment advice to a manager of a collective investment scheme.

**A corporation must be a reporting issuer as defined under SA2012.*

Key Words and Terms in Investing

UNIT SEVEN

KEY WORDS AND TERMS

TERM	DEFINITION
Investment Portfolio	A collection of assets owned by an individual or by an institution. An investor's portfolio can include real estate and so-called "hard" assets, such as gold bars.
Investment Risk	The probability or likelihood of occurrence of losses relative to the expected return on any particular investment. It is a measure of the level of uncertainty of achieving the returns as per the expectations of the investor. It is the extent of unexpected results to be realized.
Investor	A person or organisation that invests money, or other assets, in order to make a profit.
M	
Mutual Funds	An investment instrument which pools money from investors and purchases various types of securities such as shares, bonds or money market securities based on stated investment objectives. See: Collective Investment Schemes.
O	
Online Trading	Buying and selling securities using the Internet or broker-provided proprietary software that works through the Internet, Online trading is distinguished from Wireless trading, a nascent area of service where brokerage customers can trade via cell phones, pagers and hand-held organizers.
P	
Ponzi Scheme	An investment scam which promises exceptionally high rates of returns in a short period of time. A Ponzi scheme will only ask you to invest in something. You won't be asked to take any more action other than handing over your money. The promoter will claim to take care of the rest and give you your returns later. The scheme uses new investors' monies to repay previous investors. The scheme inevitably collapses when the promoter runs out of new investors to repay the previous investors.
Pyramid Scheme	An investment scam which promises exceptionally high rates of returns in a short period of time. New investors are usually asked to bring in additional investors into the fold. The scheme uses new investors' monies to repay previous investors. These schemes are sometimes referred to as pyramid schemes because they start off with a promoter and add successively broader levels, giving the scheme a triangular or pyramid shape. The scheme inevitably collapses when the promoter runs out of new investors to repay the previous investors.
Prospectus	A prospectus is a formal legal document that is required by and filed with the Securities and Exchange Commission that provides details about an investment offering for sale to the public. A prospectus includes: the name of the company issuing the stock or the mutual fund manager, the amount and type of securities being sold and, for stock offerings, the number of available shares. The prospectus also details whether an offering is public or private, how much the underwriters are earning per sale and names of the company's principals. A brief summary of the company's financial information, whether the TTSEC approved the prospectus and other pertinent information. **Read more: Prospectus Definition I Investopedia** **http://www.investopedia.com/terms/p/prospectus.asp#ixzz4NRvkPMep**

UNIT SEVEN

Key Words and Terms in Investing

KEY WORDS AND TERMS

TERM	DEFINITION
R	
Regulator	A person or organisation that supervises a particular industry or business activity.
Risk Profile	An evaluation of an individual or organization's willingness to take risks, as well as the threats to which an organization is exposed. A risk profile identifies: the acceptable level of risk an individual or corporation is prepared to accept.
S	
Savings	The portion of disposable income not spent on consumption of consumer goods but accumulated or invested directly in capital equipment or in paying off a home mortgage, or indirectly through purchase of securities.
Securities	Stock certificates, bonds or other evidence of a secured indebtedness or of a right created in the holder to participate in the profits or assets distribution of a profit making enterprise.
Securities Market	The general term for markets in which securities are traded including both organized securities exchanges and over the counter (OTC) markets.
Self-Regulatory Organisation (SRO)	This is (a) a clearing agency; (b) a securities exchange; (c) an association of market actors registered or required to be registered under the Securities Act, 2012; or (d) such other entity that sets standards for or monitors the conduct of its members or participants relating to, trading in, or advising on securities.
Shareholder	A person who purchases one or more shares in a company. Shareholders are the owners of a company. They have the potential to profit if the company does well, but also the potential to lose if the company does poorly.
Stag	A speculator who makes it a practice to get in and out of stocks for a fast profit. Their aim is to buy and sell the shares in very short intervals and make a profit from the fluctuation, rather than to hold securities for investment.
Stakeholder	Person who has an interest (financial or otherwise) in a firm.
Stocks	Ownership of a corporation represented by shares that are a claim on the corporation's earnings and assets. Common Stocks entitle the shareholder to vote in the election of directors and other matters taken up by shareholder meetings or by proxy. Preferred stock generally does not confer voting rights but it has a prior claim on assets and earnings. Dividends must be paid on preferred stock before any can be paid on common stock.
Shares	Units of ownership in a corporation. There are two main types of shares- Common Shares and Preference Shares. Generally represented by a stock certificate which names the company and the share owner.
Equities	Ownership interest in a corporation in the form of common stock or preferred stock. Equity gives you ownership in a company. If you own stocks or shares, you have equity in, or own a portion (however small) of the company. Alternatively total assets minus total liabilities are called shareholder's equity or net worth.

Key Words and Terms in Investing

UNIT SEVEN

KEY WORDS AND TERMS

TERM	DEFINITION
T	
Trinidad and Tobago Securities and Exchange Commission	The local regulatory body charged with the responsibility of ensuring that market participants comply with the regulations set forth in the Securities Act, 2012. Among its main functions are to:- • Advise the Minister of Finance on all matters relating to the securities industry; • Maintain surveillance over the securities industry and to ensure orderly, fair and equitable dealings in securities; • Register, authorize or regulate, in accordance with the Securities Act, 2012, self-regulatory organizations, broker-dealers, registered representatives , underwriters, issuers and investment advisers, and control and supervise their activities with a view to maintaining proper standards of conduct and professionalism in the securities industry; • Educate and promote an understanding by the public of the securities industry and the benefits, risks, and liabilities associated with investing in securities.
Trinidad and Tobago Stock Exchange	The nation's centralised market place for buying and selling stocks. In addition to increasing the investment options available to individuals, it also provides a mechanism through which companies can raise capital for expansion purposes by selling and issuing securities (stocks and bonds).
Trinidad and Tobago Central Depository	A company established by the Trinidad and Tobago Stock Exchange Limited to enable investors buying and selling securities on the Exchange to settle such transactions through a computerised book entry system i.e. an accounting system which aids the change of ownership of securities electronically between buyers and sellers without the need for the exchange of the physical share certificates.

UNIT SEVEN

Key Words and Terms in Investing

ACTIVITY

Refer to Unit 7, activity 7.1 in the student workbook for a review of the key words and terms.

DEBUNKING MYTHS ABOUT INVESTING

(http://www.wisebread.com/the-10-biggest-myths-about-investing)

Share this with students

MYTH #1 - It's hard to get started in investing

If you've never invested money before, it can seem intimidating — and you may not even know where to begin. Learning about the securities industry now, puts you well above the average individual who may not have been exposed to such options at an early age. There is a wealth of information online via ***www.ttsec.org.tt*** and ***www.investucatett.com*** where you can learn more about the industry and get involved. Discuss with your parents as well and liaise with a registered investment adviser. Knowledge about investments is key to making your money work for you.

MYTH #2 - You Need a Lot of Money to Invest

A modest amount of cash set aside at regular intervals can result in a big nest egg upon retirement. Consider that even a person making $30,000 a year and setting aside 5% of their income over 30 years will end up with more than $150,000, based on a 7% annual return.

MYTH #3 - It's Overly Risky

Investing is not without risk, but you are fully in control of how much risk you want to take. If you're a risk averse (not willing to take risk) type, there are many investments, such as bonds, that will allow you to make money without much risk. If you're willing to take risks, it's important to remember that while stocks can go down in value quickly, they have historically always rebounded.

MYTH #4 - Past Performance Indicates Future Returns

It's tempting to buy an investment because it has done well in the past. And it's generally true that if a stock has generated a positive return over a very long period of time, it's a good bet. But there's absolutely nothing to prevent an investment from decreasing in value or going under even after years of great returns. And it certainly doesn't make sense to invest in something based on the performance of the previous few months. Consider also looking at market trends or current events that are taking place or in the news.

Myth #5 – A little knowledge is better than none

It is crucial that individual investors have a clear understanding of where they are investing their money. Investors who really do their homework are the ones who succeed. Having a registered financial adviser is essential to understanding how to use finances to achieve goals. The cost of investing in something that is not fully understood, far outweighs the cost of using a registered investment adviser.

Key Words and Terms in Investing

UNIT SEVEN

Financial Planning

Ask students what is a financial Plan? – Write down the responses

Ask students what is a budget? – Write down the responses

Ask students if they think there is a difference between the two.

BUDGET VS. FINANCIAL PLAN

BUDGET	FINANCIAL PLAN
Does not set out goals	States a goal
Shows current income and current expenses	Shows expected future income and expected future expenses
Shows sources of income and allocation of expenses	Shows how income and expenses will be organised over time to achieve objectives
Doesn't include present or future assets	Shows investments, savings and other assets that are available or will be generated or acquired
Doesn't include debts, such as loans	Shows loans that may be required
Doesn't include steps to be taken	Shows steps that will be needed to meet financial goals

Indicate to students that:

- A budget compares income with expenses and shows whether you have a surplus or a deficit.
- A budget is useful for managing your money over the short term.
- A financial plan is a road map to help you manage your finances over the longer term to reach your financial goals.

Ask students ***"Why do you need a financial plan?"*** or ***"How can a financial plan help you?"***
List responses. Responses may be:
- To achieve a financial goal - for example - pursue your education, purchase a car, a house.
- Minimise your taxes
- Cover insurance needs
- Buy a home and pay off the mortgage quickly
- Fund your children's education
- Optimise employee benefits and pensions
- Save and plan for retirement
- Fund long-term health issues
- Care for elderly parents
- Manage estate planning and transfering wealth in families.

UNIT SEVEN

Key Words and Terms in Investing

Big Idea - Remember that a financial plan is a living document. You need to revisit it and update it regularly as your circumstances change.

Refer students to Activity 7.2 in the student workbook to map out their financial plan

Consult a financial planner or investment adviser

- For complex financial planning, you should consult a qualified financial planner or investment adviser.
- Some financial planners can help you with long-term financial planning as well as with investment advice.
- To find a registered investment adviser – visit **www.ttsec.org.tt**

Reflection and Summary

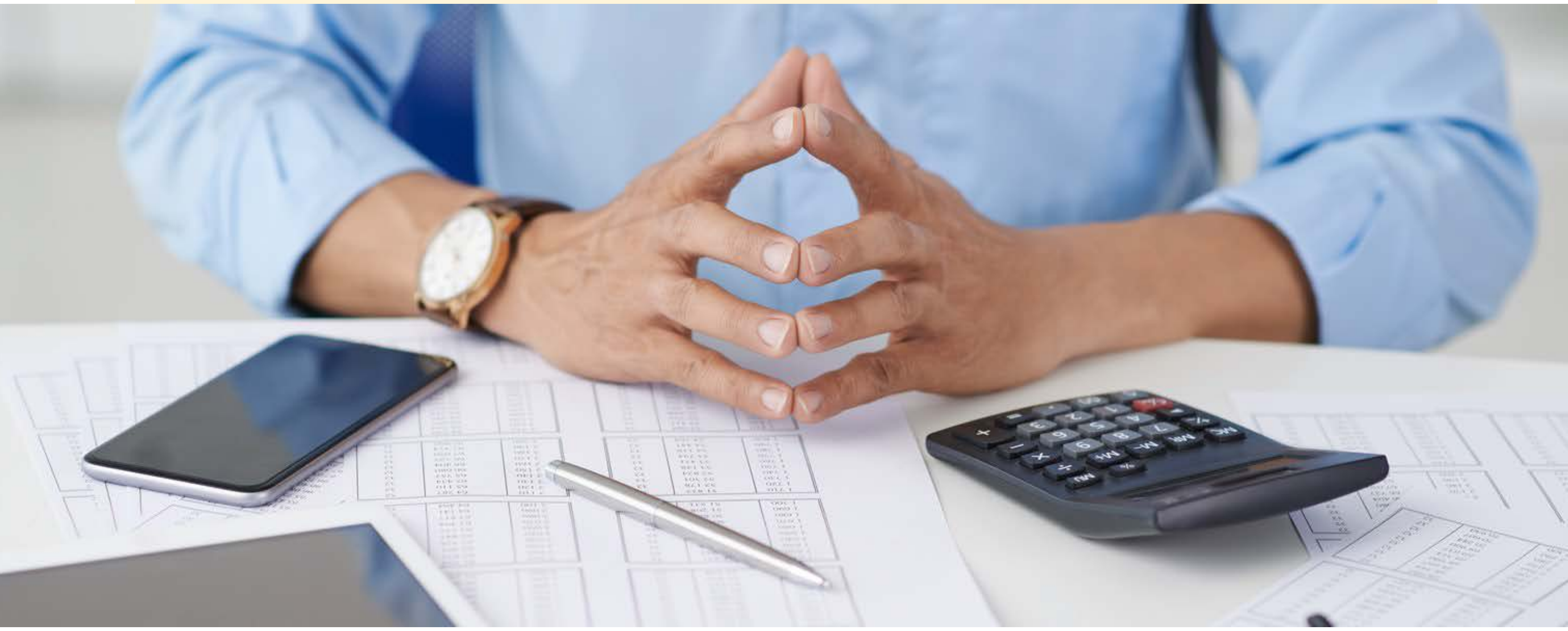
Have students individually or in groups:

Write the three most important things they learned about Investing.

Review the items students listed with the class.

Points should include:

- A general understanding of key concepts related to the securities industry
- General myths about investing
- Difference between budgeting and financial planning
- Consulting a financial/ investment adviser



Building an Investment Portfolio

UNIT EIGHT

LEARNING OBJECTIVES

At the end of this Unit, students should be able to:

- *Describe how to build a basic investment portfolio*
- *Explain what is Asset Allocation – Bonds, Equities, Mutual Funds*
- *Explain the importance of diversification and the concept of risk in investing*

BIG IDEA – Aim to develop an investment portfolio that is right for your current life stage. Periodically review your investment portfolio to see if adjustments need to be made based on your current situation.

INTRODUCTION

This Unit encompasses elements from the previous Units to guide students towards a better understanding of the process for investing in the securities industry in Trinidad and Tobago; and some key factors that may influence their investment patterns throughout their life's various stages.

Investment Portfolio

Ask students "What is an investment portfolio?"

Write answers on the board.

Explain to students that:

An investment portfolio is a combination of different investment assets mixed and matched for the purpose of achieving an investor's goal(s).

If all your money is held in a Credit Union or a Mutual Fund, then that's your portfolio. But it may not be a smart investment portfolio, as there is no guarantee that the institutions will remain viable or that the fund will remain profitable.

What's best for you?

Explain to students that the best place to start is with themselves - 'you'. Ask students why would they need to build an investment portfolio?

As discussed before, they may wish to build an investment portfolio to meet some long-term goal. Ask students to revisit some of the long-term goals they may wish to pursue. Encourage them to discuss this with their families.

The main task is for students to understand how they can make their money work for them and hopefully show how it can grow over time. But this involves the investor, taking some risk over the long term. Some investors, may be less willing to take on risks and may only be saving for ten years to cover school fees. Every individual needs to look at what's right for him/her at each stage in life.

When they start working or have a permanent job, and a steady income becomes available, they can then consider investing for the long-term. Once they get started, they will eventually have built up a sizeable portfolio of diversified assets that should last them through to retirement.

UNIT EIGHT

Building an Investment Portfolio

Asset Allocation

Once an individual has determined his/her life's goals, and for how long he/she wishes to save and invest, he/she needs to consider allocating his/her assets. One of the most important decisions when constructing a portfolio is asset allocation. This ensures that a portfolio has the right mix of assets to suit an individual's circumstances, investment goals and attitude to risk.

Indicate to students that even if they don't have a great deal of assets now, they need to be aware of their options should they come into a sizeable amount of money.

Every investor is unique, but everyone faces the same trade-off between risk and reward. In simple terms, one can't hope for long-term, above-average returns, unless one is willing to take on more risk. There is generally a positive relationship between risk and return, that is, the higher the return, the greater the risk and the lower the return, the lower the risk.

Investing in equities (stocks/ shares) is a viable option for the medium - long term, at least five to ten years. If an individual is less likely to take risk i.e. he/she is risk averse, he/she can invest in bonds.

Investment professionals consider 'diversification' to be one of the golden rules of building a portfolio. It means placing your money in different types of investments – known as asset classes.

Aside from cash, the two asset classes of most interest to investors are equities (stocks and shares) and fixed income (bonds). Both have their advantages and disadvantages.

RECAP:

Bonds

Bonds, when purchased, are a loan to a specific entity, which promise (but usually don't guarantee) repayment of the money you invest, plus interest for the use of that money. The 'issuer' of the bond agrees to pay the buyer of the bond a specified rate of interest for a pre-determined length of time. The issuer will repay the face value of the bond (the principal) when it "matures," or comes due.

Governments may issue bonds if they want to raise money to pay for new projects, for example: to build hospitals, schools or repair highways, or supplement their tax revenues to pay for day-to-day operations. Companies issue bonds to pay for equipment, buy real estate or raise money.

How Bonds work

The Government or a corporation advertises, usually in the daily newspaper, that they will be issuing a bond. All details pertaining to where to go and how to proceed with purchasing the bond as indicated in the advertisement.

You, the investor, then proceed to purchase the bond. The government pays you back over a set period with interest, so that you get back more than you put in. The interest payments are paid incrementally and the full principal initially invested, is paid to you at the end of the set period.

Bonds issued by the Government usually tend to have a low risk because even if a new government comes into power, the debt is still honoured. Government bonds may also pay a lower return than corporate bonds.

Building an Investment Portfolio

UNIT EIGHT

Bonds issued by a large corporation are, on average, riskier than bonds issued by a government, but are less risky than shares. This is because the corporation can go out of business and not repay the debt. Corporate bonds do range from low to high risk. In order to attract investors, they often pay a higher return than government bonds do.

Key characteristics of bonds

Bonds are usually described on the basis of these key characteristics:

- Par value or face value: the amount you are lending and expect to be paid in return.
- Term: the length of time until the bond matures.
- Maturity date: the date on which the principal is to be paid to you in full.
- Interest: the percentage of the loan amount that the borrower will pay you for the use of your money over the term.

How can you make money with bonds?

You can make money with bonds in two ways:

1. Interest – Bonds typically pay interest at regular intervals at a specified rate throughout the life of the bond. The interest payments from the bond normally provide you with a fixed source of income for the bond's term. In most cases, the rate is fixed at the time the bond is issued. The interest rate is determined by a number of factors, including the bond's term, current market rates and the soundness of its issuer. For example, if you invest $1,000.00 in a bond with a coupon rate of 5%, you should collect $50.00 per year in interest income for each year of the life of the bond.

2. Capital gains – You may also make a profit by selling a bond before maturity at a higher price than you paid for it. However, capital gains are not guaranteed as you may also lose if you are forced to sell before maturity at a lower price than that paid for the bond.

NOTE - *If you sell a bond before maturity you also forego all future interest income.*

NOTE - *If you sell a bond before maturity you also forego all future interest income payments.*

Additional Reading - CariCris

The Caribbean Information and Credit Rating Services Limited (CARICRIS) is the Caribbean's regional credit rating agency. It is aimed at fostering and supporting the development of regional debt markets in the Caribbean.

CARICRIS provides to bond issuers, investors and financial regulators, a regional credit rating framework for comparing the relative creditworthiness of risk entities in the region. Basically CARICRIS is a good gauge for assessing the viability of a country or a company you wish to invest in.

CARICRIS provides a scientific approach to investment decision-making. The website caricris.com provides the necessary information on the ratings by country and company, and also explains the rating scales and criteria used – for example - long-term ratings pertain to bond instruments. Based on the current rating list for Trinidad and Tobago when compared to the region it has a high positive rating.

Refer to Activity 8.1 in the Student Work book.

UNIT EIGHT

Building an Investment Portfolio

Equities

Equities also known as stocks and shares, are riskier than bonds. It is therefore not adviseable that you put all your money into equities.

Owning shares of a stock represents an ownership share in a company. Shareholders, as owners of a company, generally have voting rights but have no guarantee of income. Shareholders have no guarantee that the company will grow or even that it will survive.

Companies sell shares of stock in their businesses as a way of raising money to help their businesses grow. The first offering of stocks for sale by a company is called the ***"initial public offering,"*** or IPO. Having an IPO is referred to as ***"going public."*** When a company does not have any publicly traded shares of its stock, it is a privately held business.

Benefits of purchasing stocks — As a ***stockholder***, you have partial ownership of a company and the opportunity to grow your funds as a stock rises in value. However, stocks are a riskier investment than other types of investment options such as mutual funds or bonds, and if the value of the stock falls, the potential for growing your investment falls as well.

Each company has a ticker symbol, an abbreviation of one to four letters that identifies the company on the financial news. Individuals generally buy and sell stocks through a broker-dealer. Ensure your broker-dealer is registered with the ***Trinidad and Tobago Securities and Exchange Commission (TTSEC)***, before conducting any investment transactions. Visit **www.ttsec.org.tt** for the TTSEC's registrants listing.

Unless participating in an IPO, when someone buys shares of a publicly traded company, he /she is buying that stock from another investor who already owns the stock, not from the company itself. When one buys shares, based on research and investment advice, he/she hopes that the company will do well, and that he/she makes a profit either through:
Dividends – When a company makes a profit it also pays dividends to shareholders, which they receive as income. Dividends are distributions to stockholders in the form of cash or stock.
Capital Gains – The payment of dividends may increase the demand for the stock on the exchange which leads to an increase in the value of the stock. If the stock price goes up, or appreciates, the shares can be sold for more than they were purchased and the investor makes a capital gain. The stock price, however, can also go down, and the investor could lose money, or make a capital loss.

There is always a risk when investing in stocks. Stock prices may be stable or very volatile because they are linked to changing company and economic conditions. Therefore, stock investing requires a great deal of attention and research.

Question – Do you choose slow and steady bonds, or racier and riskier equities? The best answer is normally a bit of both, with some cash thrown in for emergencies.

Building an Investment Portfolio

UNIT EIGHT

Understanding Risk

A key part of the process of constructing a portfolio, is considering one's attitude to risk. All investments entail different levels and types of risk. An investment adviser can help determine one's risk tolerance or a potential investor can visit the TTSEC's Investor Education website, **www.investucatett.com**, and complete the TTSEC's simple Investor Risk Profile survey.

Once an investor is aware of his/her risk appetite, he/she can now work together with a registered investment adviser or financial planner to decide on an asset allocation that offers the best chance of achieving his/her investment objective within his/her level of risk tolerance.

Diversification can reduce risk

In order to reduce risk, an individual needs to diversify – that is, spread his/her portfolio across a broad mix of assets. Investment markets move in different cycles, reflecting the underlying strength of the economy, industry trends and investor sentiment. Individual assets also move differently according to external factors.

So for example, during tough economic times many people will stop buying luxury items and companies that make them might experience a fall in sales, but makers of essential items, like food, may not. Diversifying one's portfolio can help smooth out market ups and downs or fluctuations: so returns from better performing assets help to offset those that aren't performing so well.

If an investor is willing to embrace higher risk levels and won't need the money for a while, then he/she should give more weight to his/her portfolio towards shares. If an investor only has a narrow time horizon for what he/she wants to achieve from his/her investment, then give more weight to bonds and cash.

UNIT EIGHT

Building an Investment Portfolio

INVESTOR RISK PROFILE

In order to determine your risk profile you should ask yourself these questions:

WHAT KIND OF INVESTOR AM I?

Am I a high risk taker? If the value of my investment takes a dip, do I feel comfortable to ride it out?

Am I averse to risk? Would I lose sleep if the value of my assests took a sharp drop?

Important to note also is the fact that there are four asset classes based on risk profiles:

ASSET RISK CLASSIFICATION

EQUITIES: Highest Risk

DEBT: Low Risk

CASH: Lower Risk

REAL ESTATE: Lowest Risk

Building an Investment Portfolio

UNIT EIGHT

Mutual Funds

Mutual funds are a popular investment choice because mutual funds can have built-in diversification and professional fund management, which give them some advantages over purchasing individual stocks and bonds. Investing in a mutual fund still involves certain risks, including the possibility that an investor may lose money.

What is a mutual fund?

A mutual fund is an investment company that pools money from many investors and invests it on the basis of specific investment goals.

The mutual fund raises money by selling its own shares to investors.

The money is used to purchase a portfolio of stocks, bonds, short term money market instruments, other securities or assets, or some combination of these investments. Each share represents an ownership slice of the fund and gives the investor a proportional right, based on the number of shares he or she owns.

How do mutual funds work?

When an investor buys units/shares of a fund, he/she becomes a part owner of the fund, and if he/she owns units/shares in a mutual fund, he/she shares in its (funds) profits. When the fund earns income from dividends or interest, the fund pays those profits, after expenses, to its unit holders/shareholders in payments known as income distributions. Also, when the fund has capital gains from selling investments in its portfolio at a profit, it passes on those after-expense profits to shareholders as capital gain distributions.

An advantage of mutual funds is the ability to get access to buy and sell assets/ money with relative ease. We call this **liquidity**. It is the degree to which an asset or security can be quickly bought or sold in the market without affecting the asset's price. In general, with mutual funds, you are able to sell your mutual funds in a short period of time without there being much difference between the sale price and the most current market value.

Demonstrating the basics of how Mutual Funds work

Tools /Resources

- $100 – fake bills
- Some candy in a jar
- 10 volunteers

UNIT EIGHT

Building an Investment Portfolio

Directions:
Invite 10 volunteers to join you up front and give each of them a $100 bill.

Explain to each of the volunteers that each can buy a stock with their $100.
Have them give you the $100 bills and have each take a candy bar (but ask them to not eat it yet).

Then ask the audience if individually any of the volunteers are diversified. (Answer: no)
Exchange the candy for the $100 bills and put the candy bars in the jar.

Now show the group what happens if they each buy a unit/share in a pooled portfolio — such as in purchasing mutual funds.

Have each volunteer give you the $100 and then give each of them a unit/ share in the mutual fund (each unit/share should be written on a slip of paper or index card).

Then take the $1,000 and the jar of candy and explain to the group that each person owns 1/10 of the portfolio of stocks in the jar.

This is basically how a mutual fund works.

ACTIVITY

Refer to Activity 8.2 in the Student Workbook

Growing your assets as you grow
Crucially, you need to understand that as you grow older and your needs change (as well as your perceptions of risk) your portfolio of assets must also adapt.

Portfolios: the bottom line
The basics of building an investment portfolio are surprisingly simple.
Work out your own investing style and then make sure that your diversified mixture of asset classes meet your intended goals.

ACTIVITY

Refer to the Research Activity 8.3 in the Student Workbook

Reflection and Summary
Have students individually or in groups:
Write the three most important things they learned about Investing.
Review the items students listed with the class. Points should include:
- Understanding what works best for you as you grow older
- Benefits of allocating your Assets wisely – bonds, equities, mutual funds
- Importance of Diversification – Not keeping all your money in one asset location
- Understanding that there are varying levels of risk when investing
- Consulting a registered investment adviser before making any transactions

Investment Fraud

UNIT NINE

LEARNING OBJECTIVES

At the end of this Unit, students should be able to:

- *Describe types of Investor Scams*
- *Show the dos and don'ts of investing*
- *Explain how to identify a fraudster/ scam*
- *Identify the rights and responsibilities of an investor*

Big idea – Be alert! Take steps to protect your finances and investments. Review our online brochures at ***www.investucatett.com*** to learn more about investment fraud; ways to identify a scam and a scam artist; and protect yourself and your family from investment fraud.

INTRODUCTION

A major role of the TTSEC is to protect investors. The TTSEC protects investors by educating the public about their rights and responsibilities as investors and informing them about investment fraud. The TTSEC also takes enforcement action against persons who breach our legislation or guidelines. This Unit highlights some of the ways in which students can identify a fraudster and what they should do if they or their families encounter such a person/s or scam.

Financial Fraud and Investor Scams

ASK STUDENTS: 'Who are usually the victims of Financial Fraud and Investor Scams?'

Make a list on the board. Indicate to students that anyone can fall victim to financial fraud.

Here are some scams to be wary of.

Internet Scams

Con artists reach millions of victims via the internet. They lie to try and convince you to either send them money or your personal bank card or financial information. With the Internet, fraudsters can operate anonymously from anywhere in the world, making them hard to catch. Once you've given your money to an online scam artist, it's likely gone for good. Double check any information or suspicious emails you receive.

Boiler Room Scams

With this scam you can expect to receive a phone call from someone you don't know, claiming to offer you the "chance of a lifetime" to make lots of money. Saying it's a "sure thing" as long as you keep buying a certain stock. They attempt to persuade you to invest in shares that are either non-existent, or so worthless they are impossible to sell. The fraudsters may provide false share certificates and other documents to make the investments seem credible. Once the fraudsters have squeezed whatever money they can from investors, they quickly disappear.

UNIT NINE

Investment Fraud

Ponzi or Pyramid Schemes

With Ponzi Schemes the premise is simple: pay early investors with money raised from later investors. The only people sure to make money are the promoters who set the Ponzi in motion. In this scam high returns are promised to investors. Ponzi schemes are sometimes referred to as pyramid schemes, but this is inaccurate. In pyramid schemes the promoter starts off like a Ponzi scheme but the difference is that the promoter encourages investors to bring in new investors thus, adding succeedingly broader levels giving the scheme a triangular or pyramid shape. The promoter in this instance, relies on the next layer of victims to invest their monies, to support the previous layers of investors. Inevitably new people stop joining and since it is the funds from the new persons that keep the pyramid steady, the pyramid eventually begins to totter and there is no more money to be paid out. You and countless others subsequently lose your investment.

Unlicensed Selling of Securities

Anyone selling securities without a valid securities license should be a red alert for investors.

Unregistered Investment Products

Con artists bypass stringent registration requirements to pitch settlements, and other investment contracts with the promise of "limited or no risk" and high returns.

Promissory Notes

A promissory note is an unconditional promise in writing made by one person to another signed by the maker, agreeing to pay, on demand or at a fixed or determinable future time, a certain sum of money to, or to the order of, a specified person or to bearer.* Basically it is a signed document containing a written promise to pay a stated sum to a specified person or the bearer at a specified date or on demand. "Empty promises ….printed."

Senior Investment Fraud

Seniors are particularly vulnerable to scam artists who pretend to be **"nice"** or attempt to develop a false bond of friendship. Scam artists prey on seniors who are polite to others and have difficulty saying **"no"** or feel indebted to someone who has provided unsolicited investment advice. These financial predators use tactics to instil seniors with the fear of running out of money and becoming a burden to their families. They prey upon the loneliness and isolation, and availability of some retired or widowed seniors. Seniors should carefully check the credentials of investment advisers or financial planners holding themselves out to be "senior specialists."

https://www.sec.gov/investor/seniors/seniorsguide.pdf

https://www.agingcare.com/Articles/Protecting-Against-Senior-Investment-Fraud-110484.htm

Affinity Fraud

This scam often happens in social groups. Con artists are increasingly targeting religious, ethnic, cultural and professional groups. They quietly join a club, religious group or community group. Once they gain the trust of the members in the group, they will try to convince them that their fraudulent investment is legitimate, and encourage them to participate.

**Section 83 of the Bills of Exchange Chap 82:31 of the Laws of Trinidad and Tobago*

Investment Fraud

UNIT NINE

These con artists sell to a few prominent members of the community and then pitch the scam to the rest of the group by using the names of those previously sold. They will then eventually scam the group members, their friends and families, and just as quietly, disappear.

This scam often goes unreported – victims include: minority groups, religious groups, the elderly etc.

ACTIVITY

Refer to Unit 9, Activity 9.1 in the Student Workbook.

Red Flags of Fraud

Warning signs of investment fraud:

Guarantees: "This investment is guaranteed" - Be suspicious of anyone who guarantees that an investment will perform in a certain way. All investments carry some degree of risk and performance cannot be guaranteed.

Unregistered products: Many investment scams involve unlicensed individuals selling unregistered securities—ranging from stocks, bonds, notes, hedge funds, or fictitious instruments.

Overly consistent returns: Even the most stable investments can experience hiccups once in a while.
Missing documentation: If someone tries to sell you a security with no documentation—that is, no prospectus in the case of a stock or mutual fund, and no offering circular in the case of a bond—he or she may be selling unregistered securities. The same is true of stocks without stock symbols.

A pushy salesperson: No reputable investment professional should push you to make an immediate decision about an investment, or tell you that you've got to "act now." If someone pressures you to decide on a stock sale or purchase, simply walk away. Even if no fraud is taking place, this type of pressuring is inappropriate.

Here are some common things a fraudster may tell you:

- "I am offering you double the returns that you can't get anywhere else."
- "This deal is going fast and will not be around for long. You must act soon!"
- "Just make the cheque out to me. It's a lot easier that way."
- "You know not many people know about this deal?" Now is the time to take advantage of this opportunity and make money."
- "Other smart people like you have already joined and are making a fortune."

How to Protect Against Ponzi Schemes

Beware of promises of unrealistic returns. This is perhaps the easiest way to spot a Ponzi scam. Any legitimate investment involves risk. Guarantees of unrealistically high returns are a clear warning sign. If you think that this offer is, "Too good to be true," then this should be considered a red flag.

UNIT NINE

Investment Fraud

Diversify everything. Don't put all of your eggs in one basket. Diversify not only your assets but also your money managers, accounts, and financial institutions. Spreading your money around will limit your exposure to the financial problems of any one institution.

Don't rely on reputation or word of mouth alone – understand your investment. Con artists are experts at building networks of trust, making investors think they are getting an "inside" track on a hot investment. If someone gives you an "inside" tip, (which may refer to material non-public information about an investment product) don't just hand over your money. Remember that you too can be found guilty of insider trading which can result in high penalties. According to the Securities Act 2012, section 102 – A person who engages in insider trading activities, as described in the Securities Act 2012, commits an offence and is liable on summary conviction to a fine of ten million dollars and imprisonment for ten years.

Verify the investment details. Ask comprehensive questions about the investments and those selling the investments, and get clear and direct answers before you invest. If you don't understand an investment, don't invest right away. Do your research first and ensure that you are confident and comfortable investing in the product.

Background Check. Check with the TTSEC to determine if the individuals and firms selling the investment are properly registered. Remember, anyone selling a security must be registered with the TTSEC. If the promoter says he's exempt, follow-up with your regulator to confirm the claim.

Report fraud. If you're a victim of a Ponzi scheme, call the Trinidad and Tobago Securities and Exchange Commission. As the securities regulator for Trinidad and Tobago, the TTSEC can investigate the matter and your call may help prevent others from becoming victims of the same scam.

Rights and Responsibilities of an Investor

- You have a right to receive truthful information from an investment adviser
- You have a right to accurate information from a Reporting Issuer (A company that has issued shares to the public and is subject to continuous disclosure requirements by the Securities and Exchange Commission)
- You have a responsibility to ask questions and do your research on the investment adviser, the broker dealer and the investment product
- You have a responsibility to check with the TTSEC's website – ***www.ttsec.org.tt*** for a list of registered companies, investment advisers and broker-dealers before conducting any investment transactions
- You have a right to choose where you wish to invest. Explore all your options
- You are entitled to lodge a complaint with the TTSEC if you experience any problems

Investment Fraud

UNIT NINE

Before making any securities investment, all investors are urged to ask the following questions:

- Are the seller and investment licensed and registered?
- Has the seller given you written information that fully explains the investment?
- Are claims made for the investment realistic?
- Does the investment meet your personal investment goals?

Research your investments

The best way to protect your money is to be an informed investor. Before you buy any investment product, find out as much as you can about it. Read financial documents like the prospectus and financial statements. Public companies and investment funds are required by law to file these and other documents.

You can also get information from:

- Analysts' reports
- Financial newspapers and websites
- Investment newsletters

These sources provide very useful information, but remember each source only forms part of the overall picture of a company. Be sceptical of what you read and check as many different sources as you can, to get a more complete picture. You can also get a second opinion from an independent financial advisor.

ACTIVITY

Refer to Unit 9, Activity 9.2, in the Student Workbook –Group Activity
For this exercise, teachers may select individuals to act out the scenes and segment the classroom into two groups to discuss and share ideas on the two conclusions proposed in the excerpt.

Reflection and Summary

Have students individually or in groups:

Write the three most important things they learned about Investing.

Review the items students listed with the class. Points should include:

- Identify financial and investor scams
- Know the warning signs of a scam
- Importance of lodging a complaint with the TTSEC
- Rights and responsibilities of an investor

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