

Financial Literacy Lesson: Mutual Funds & Dividends



Grade Levels: 9 - 12th

Lesson Purpose:

To introduce students to investing in mutual funds.

Objective:

Students should be able to explain how a stock is different from a mutual fund. They should be able to analyze a mutual fund for its return on investment, list the companies within a mutual fund, and determine how well a mutual fund has performed over time.

Teacher Lesson Outline:

- **Planned to A.T. Introduction Video (7 min)**

Have students watch the introduction video and fill in their notes as they do. Be sure to ask students if they need any answers repeated when the video ends.

- **Class activity:**

1. **Mutual Fund Graph (20 min)**

Display the Mutual Fund Graph for Fidelity Advisors Growth Opportunities Fund Class A or FAGAX using the graph in Resources attached, to walk students through interpreting it. Point out:

The similarities they would notice in viewing a single stock: ticker symbol, share price, and tabs to view performance over time (1 month,, 1 Year, 5 Years, Max).

2. **Highlight** the YTD Return at 45.14% which is much higher than any typical one stock. Point out that it's an excellent return on investment.

Show: Using the Rule of 72 ($72 / 45.14 = 1.6$ years), meaning their money would double in 1.6 years! And keep doubling every 1.6 years after that! Great investment!

3. **Display the 10 Year Chart**

Point out the first line in the chart: "Investment" and how it has changed from 2014 - 2023. Gone up and down but over time produces a good return.

Ask which year performed the best? Answer: 2020 with at 68.60% return.

Emphasize how investing is a long-term game. If someone invested in 2014 and removed their money in 2016 they would have lost money but keeping it in over a long period of time allows for the market to go up and down like it normally does and for the investment to grow based on the average over the years.

4. Display the **Growth of \$10,000 Chart**

Explain how \$10,000 is often used to display the growth over a 10-year period. But remind students they don't need anywhere near \$10,000 to begin investing. This is just a baseline investors like to use to determine how any size investment might perform over time.

Explain/Show: If you would have invested \$10,000 into this fund, 10 years ago, TODAY each of us (yes, each of us) would have \$42,471 without adding any additional money AND without doing ANYTHING else besides letting the money sit there working for us.

Explain: That's why we want you to remember that TIME is the most important factor when investing.

5. **Remind students that:**

When you invest in a mutual fund, rather than investing in ONE stock and being the owner of ONE company, you are investing in ALL of the companies in the mutual fund and are an owner of ALL of the companies in the mutual fund.

6. Go to this link to show the live stock analysis and point out the current YTD, then click the "Holdings" tab to show the companies this fund includes:

<https://stockanalysis.com/quote/mutf/FAGAX/>

Explain that this fund, FAGAX, has over 200 companies in the fund. That means that by investing in this mutual fund, you'd be part owner of over 200 companies, instead of just ONE company.

Point out how the companies are listed from the top to bottom of how much they make up the fund. So companies with higher percentages their performance affects your investment the most. When they do well so does your money.

Explain that when you invest in a mutual fund, it's like being in an elevator with hundreds of cables. Each company is a cable.

Ask: If one cable was to snap when you're on an elevator, would you even notice?

Most likely not. You probably would not notice it as much and would be able to ride up and down without noticing.

If a few of these companies don't perform well you still have hundreds of other companies in the fund that could be performing well, cushioning your investment.

Explain: That's a BIG difference and benefit of investing in a mutual fund versus a stock.

7. Click the Dividends tab and point out that this fund is one that does NOT pay a dividend. Some stocks do and others don't.

8. Click on the History tab

Point out how even though the graph shows dips and peaks, the overall trajectory of the graph over time is trending upward. That is what you want to look for when you are planning to invest in a stock or mutual fund!

- **Individual Student Activity: Mutual Fund Research (20 min)**

Students should use the graphs to answer the associated questions. Then they will need internet access to use the link to research and compare the two mutual funds listed.

- **Reflection(5min)**

Let students answer the reflection questions as an exit ticket.

- **What's the Difference Between a Stock and a Mutual Fund?**

Directions:

Read each statement and determine if it best describes a stock or a mutual fund. Circle the answer.

Statement #1 - *You invest one amount each month to be the owner of multiple companies (Mutual Fund)*

Statement #2 - *You invest the price for each share of one company (stock)*

Statement #3 - *When the investment goes down, you lose money which means you're more at risk. (stock)*

Statement #4 - *If one stock does poorly, you could still make a profit from the other stocks in the group (mutual fund)*



START : Essential Question(s)

Q: What are mutual funds?

A mutual fund is a group of stocks pooled together from various different companies.

Q: How is a mutual fund different from a stock?

A stock invests in one single company and is more risky, while a mutual fund invests in many companies at one time and is less risky.

Education Standards Addressed:

SSEPF3 Explain how the financial system channels funds from savers to investors.

d. Evaluate the risk and return of a variety of savings and investment options, including: savings accounts, certificates of deposit, retirement accounts (i.e. Roth IRA, 401K, 403b), stocks, bonds, 529 accounts, and mutual funds and explain the importance of diversification when investing.



Investing Lesson 4:

Mutual Funds & Dividends

Video Note-Taking Guide

1. A _____ allows you to invest in a group of stocks made up of various different companies that are pooled _____, unlike investing in a stock which invests in one single company.
2. When you put your money in a mutual fund it's _____ than investing in a single stock. That's because if one company in your mutual fund dips in value the others could be making a profit and act as a cushion for the loss on the one stock.
3. There are many different types of mutual funds. Often stocks are placed in groups from _____ like a group of technology, healthcare, infrastructure, real estate, food industry companies and many more.
4. The key to winning at investing is diversification, meaning investing in lots of _____ types of industries of stocks. Mutual funds provide you with the opportunity to diversify your investments easily.
5. Mutual fund share prices are similar in cost to stock prices. You can even buy a _____ a share that you don't have enough money to buy a whole share of.

So for example, if the share price for a mutual fund is \$150 for one share and you only have \$_____ to invest, you can still put \$25 towards the \$150 share to own a piece of that one share, and you will still make money as the stock does well.
6. A _____ is a payout to shareholders. You are considered a shareholder if you invest in a stock or mutual fund, meaning you own a small "share" of the company.
7. If they decide to pay their shareholders or again, you the investor, they _____ up the profit by the number of people who have invested, and pay what's called a dividend to each shareholder.
8. Investing is a long term game, so you have to be consistent and _____ but it is the most sure way to build wealth and create an abundant financial future!

Teacher Resource Charts

Introduction: Mutual Fund Graph Display

HOME > FAGAX · MUTUAL FUND

Fidelity Advisor® Growth Opportunities Fund Class A

\$128.69 ↑2.39% +3.00 1M

Jan 12 · USD · MUTF · Disclaimer

1M 6M YTD 1Y 5Y MAX

0.0% of your portfolios
Only you can see this

+ Add to portfolio

Mutual fund

PREVIOUS CLOSE	\$128.98
YTD RETURN	45.14%
EXPENSE RATIO	0.89%
CATEGORY	US Equity Large Cap Growth
MORNINGSTAR RATING	★★★★☆
NET ASSETS	3.59B USD
FRONT LOAD	5.75%
INCEPTION DATE	Sep 3, 1996

Compare to

Fidelity Advisor® Equit... \$17.30 EPGAX ↑2.25%	Fidelity Advisor® New I... \$33.04 FNIAX ↑3.31%	Fidelity Advisor® Tech... \$95.64 FADTX ↓2.85%	Franklin DynaTech Fun... \$134.61 FKDNX ↑1.58%
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Market news

10 Year Chart

Total Return %	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
Investment	11.69	4.83	-0.06	34.68	14.08	40.26	68.60	11.40	-38.40	45.14	0.29
Category	10.00	3.60	3.23	27.67	-2.09	31.90	35.86	20.45	-29.91	36.74	0.54
Index	14.66	3.84	5.46	27.12	-1.40	34.98	37.24	26.37	-31.71	40.25	0.71
Quartile Rank	■	■	■	■	■	■	■	■	■	■	■
Percentile Rank	32	41	80	11	1	3	4	88	86	22	69
# of Invest. in Cat.	1,710	1,681	1,463	1,363	1,405	1,360	1,289	1,237	1,235	1,200	1,189
Category Name	LG	LG	LG	LG	LG	LG	LG	LG	LG	LG	—

Growth of \$10,000 Chart

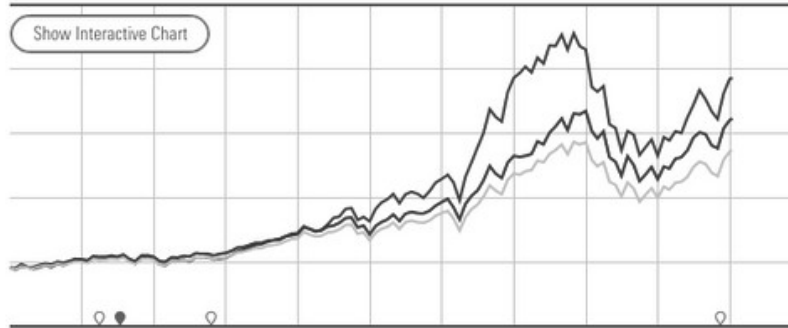
Growth of 10,000

- Investment
- Category
- Index
- Investment Flows

Manager Change

- Full
- Partial

Show Interactive Chart

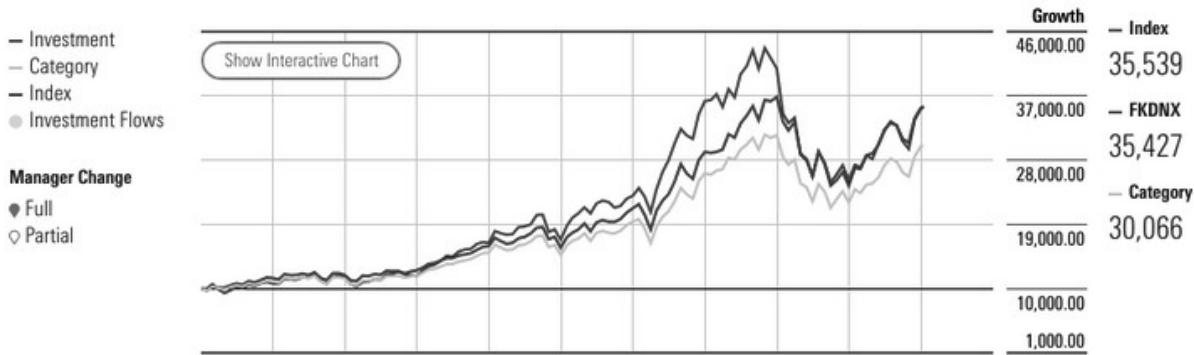


Growth	
55,000.00	— FAGAX 42,471
44,000.00	— Index 35,539
33,000.00	— Category 30,066
22,000.00	
11,000.00	
0.00	

Student Activity #1: Let's Invest in A Mutual Fund

Directions: Use the graphs to answer the questions individually.

Growth of 10,000



1. If you would have invested \$10,000 into this fund 10 years ago, how much would you have today?

Total Return %	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
Investment	7.20	8.46	1.27	39.31	2.80	36.38	57.68	12.58	-40.30	44.42	0.66
Category	10.00	3.60	3.23	27.67	-2.09	31.90	35.86	20.45	-29.91	36.74	0.54
Index	14.66	3.84	5.46	27.12	-1.40	34.98	37.24	26.37	-31.71	40.25	0.71
Quartile Rank	☰	☰	☰	☰	☰	☰	☰	☰	☰	☰	☰
Percentile Rank	80	13	68	2	10	17	8	85	93	25	53
# of Invest. in Cat.	1,710	1,681	1,463	1,363	1,405	1,360	1,289	1,237	1,235	1,200	1,189
Category Name	LG	LG	LG	LG	LG	LG	LG	LG	LG	LG	—

2. Take a look at the last 10 years of this fund. Which year was the BEST performing year? Which year was the worst?

Best:

Worst:

Current Portfolio Date	Equity Holdings	Bond Holdings	Other Holdi
Nov 30, 2023	95	0	3

Top 10 Holdings	% Portfolio Weight	Ma
NVIDIA Corp	8.15	
Microsoft Corp	8.03	
Amazon.com Inc	6.88	
Alphabet Inc Class A	4.06	
ServiceNow Inc	3.71	
Mastercard Inc Class A	3.31	
Synopsys Inc	3.20	
Tesla Inc	3.05	
Cadence Design Systems Inc	2.96	
Intuit Inc	2.69	

- How many companies are in this portfolio? List the THREE companies that would have the most impact on you as an investor?

Student Activity #2: Mutual Fund Research

Mutual Fund Comparison: What's the Difference Between a Stock and a Mutual Fund?

Directions:

Use the link below to research each mutual fund and fill in the chart associated. Enter the ticker symbol into the search bar on the link below.

Link: <https://stockanalysis.com/>

Ticker Symbol	FSPCX	FIUIX
Name		
YTD Return		
Share Price		
Pays a Dividend (Yes or No)		
Top Two Holding		
Does the History graph trend up or down overall?		

If you were to invest in one of these mutual funds, which one would you invest in and why?

Reflection and Exit Ticket:

What's the Difference Between a Stock and a Mutual Fund?

Directions:

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Statement #3 - When the investment goes down, you lose money which means you're more at risk. (Stock / Mutual Fund)

Statement #4 - If one stock does poorly, you could still make a profit from the other stocks in the group (Stock / Mutual Fund)

