Penny Explains

Key Stage 3 · Years 7 to 9 | Investing | About 40 minutes

Saving, investing and risk

Two ways to use spare money, and why neither is magic

Answers and teaching notes

For the teacher

- **Aim:** Pupils compare saving with investing, understand a share as a slice of a company, see how spreading money lowers risk, and learn to separate investing from gambling and from scams.
- **Curriculum links:** Financial Education Planning Framework, ages 11 to 14: managing risks and emotions associated with money (risk and reward, saving and investing, gambling) and becoming a critical consumer (claims that are too good to be true). Maths: percentages, fractions and multiplying money. PSHE: economic wellbeing and gambling risks. Citizenship: managing risk.
- **Watch first:** the Penny Explains video “Saving or investing?” at pennyexplains.com.
- **Starter:** Offer a choice: a certain £10, or a coin flip for £25 or nothing. Vote, then ask why people chose differently. That feeling is your attitude to risk.
- **Support:** Draw a 10 by 10 grid for 'the company' and shade 5 squares to show owning 5%. Allow calculators. Pair pupils for the diamond nine so they have to justify each choice out loud.
- **Stretch:** Ask: if every company in a fund fell at the same time, would diversification still help? (It lowers risk. It cannot remove it.) Pupils could also explain why a longer time gives an investment more chances to recover from a fall.
- **Education only:** this sheet explains how saving and investing work. It never suggests that pupils or their families should invest, and no real companies or products are named. **Figure:** savings in a UK bank or building society are protected up to £120,000 per person, per bank, if the bank fails. **Care:** some pupils may know someone harmed by gambling.
- **Total:** 40 points. Suggested answers are shown in red; accept any answer that is well reasoned.

I can...

- [ ] I can explain the difference between saving and investing.
- [ ] I can explain what a share is and how its value can go up or down.
- [ ] I can explain why gambling is not investing and spot a promise that is too good to be true.

Key words

Saving: keeping money safe, often earning interest.

Investing: buying something, such as shares, hoping it grows in value.

Share: a small slice of a company.

Risk: the chance of getting back less than you put in.

Diversification: spreading money across many investments.

1 Saving or investing?

6 points

Use the words in the box to finish the sentences. Use each word once.

shares | risk | years | less | up | interest | more | days

Saving means putting money somewhere safe, such as a bank account, where it earns a little **interest**. Investing means buying something, such as **shares** in a company, in the hope that it grows in value over many **years**. The value of an investment can go down as well as **up**, so you could get back **less** than you put in. That chance is called **risk**.

2 A slice of a company

8 points

Made-up firm Bright Bikes has **1,000 shares**. Aunt Tolu buys **50** of them at **£2** each.

a) How much does Tolu pay for her 50 shares?

Working

50 × £2 = £100

Answer: £100

b) What percentage of the company does she own?

Working

50 out of 1,000 = 5 out of 100 = 5%

Answer: 5%

c) A year later each share is worth £2.60. What are her 50 shares worth now?

Working

50 × £2.60 = £130
(a gain of £30)

Answer: £130

d) Imagine the price had fallen to £1.40 instead. What would her shares be worth?

Working

50 × £1.40 = £70
(a loss of £30)

Answer: £70

3 All in one, or spread out?

8 points

Sam puts **£100** into each of three made-up companies. What is each worth a year later?

Company	Change in one year	Sam's £100 becomes
Alder Games	down 50%	£50
Birch Foods	up 10%	£110
Cedar Energy	up 20%	£120
Total		£280

a) Dev put all of his £300 into Alder Games. What is it worth after one year? 1 mark

£150 (half of £300).

b) Who lost less money, and by how much less? What does this show? 3 marks

> Sam lost £20 (£300 – £280). Dev lost £150. Sam lost £130 less. Spreading money across several companies (diversification) means one bad result does less damage.

4 Saving, investing or gambling? 8 points

Write each one in the right box. Remember: gambling is **not** investing. A bet is a game set up so that most players lose.

- A fund holding many companies
- A building society account
- A lottery ticket
- Shares in a company
- Money in a bank account
- Earning interest
- A scratch card
- A bet on a football match

Saving	Investing	Gambling
Money in a bank account	Shares in a company	A lottery ticket
Earning interest	A fund holding many companies	A bet on a football match
A building society account		A scratch card

5 Too good to be true? 4 points

Noor sees this video advert while scrolling. Find the warning signs.

@lewis_gets_rich · advert

I turned **£50 into £5,000 in ONE WEEK**. Guaranteed profit, zero risk!

Only 10 places left in my private group. Send £50 by bank transfer **tonight** to join.

Don't listen to teachers or banks. They want you to stay poor.

Write 4 things that tell you this could be a scam.

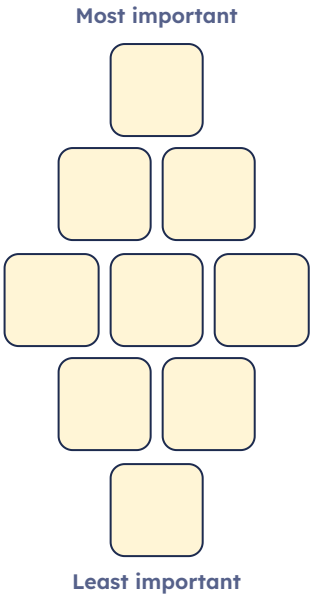
1. Guaranteed profit: no real investment promises that.
2. Zero risk and a huge gain in one week.
3. It rushes you: only 10 places, pay tonight.
4. Bank transfer to a stranger, and 'trust no one else'.

6 Before anyone invests: what matters most?

3 points

Put Aunt Tolu's nine questions in the diamond: most important at the top.

- **A** Do I have emergency savings first?
- **B** When will I need this money back?
- **C** Could I cope if the value fell?
- **D** Do I understand what I am buying?
- **E** Is my money spread out?
- **F** Is the firm properly regulated?
- **G** What are the fees?
- **H** Does it sound too good to be true?
- **I** What are my friends buying?



Which question did you put at the bottom, and why?

> No single right answer. 'What are my friends buying?' (I) belongs at or near the bottom: copying others is not a reason. Emergency savings and understanding belong near the top.

7 What would you say?

3 points

A friend says: 'A streamer's coin doubled my brother's money in a day. Buy some too!'

What would you say to your friend, and why?

> No single right answer. Look for: something that can double in a day can also halve in a day, putting all your money in one thing is high risk, a streamer may be paid to promote it, and one lucky story hides the people who lost. It is closer to gambling than investing.

8 Before you go

One thing I learned today

One question I still have

How sure do I feel?

Not yet · Getting there · Got it

Take it home

Ask an adult at home: what is the difference between **saving** and **investing**? Have they ever seen a promise that was too good to be true?

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