

Guided Questions for Teachers

Name: _____ Date: _____

Directions: Read the guided questions below. Use the guided questions discuss or highlight the points you wish to emphasize with your class.

After the initial stock purchase, ask:

- **Which stocks did you buy?** *Answers will vary. Some students will buy stock in corporations they know, such as Pepsi Co, while others will look for tech stocks; some will look for cheap stocks.*
- **Why did you choose these stocks?** *The trend lines were strong, the product is well known, the price was low; some students may know the current price of these stocks.*
- **Did anyone invest in just one stock?** *Some students might because they think the company is a safe bet.*
- **Did you keep any money as cash?** *Many students will do this.*
- **Is there any risk to cash?** *Students will probably say no, but point out that inflation will erode the value of their cash, so it will not buy as much in the future.*

After switching the date to 2002, ask:

- **What happened to the value of your investments?** *Most have gone down dramatically, anywhere from a 30% to 70% drop.*
- **Which stock prices fell the most steeply?** *The biggest losers were AMZN, DIS, F, HPQ, IBM, MSFT, TXN, TWX, and XRX.*
- **Which stocks actually increased in price?** *MMM, GIS, JNJ, PEP, SBUX, UNH*
- **Did you buy these “winners?” Why or why not?** *Most students don’t buy MMM, GIS, JNJ and UNH because they don’t know much about these companies, but some will have bought PEP and SBUX because they like the products.*
- **Which stocks would you sell right now, if it really was 2002 and this was your college or retirement savings?** *Many students will say they want to sell stocks that have lost value. Point out that although this is often what people do, it may not be the best strategy, as they will see. Explain to students that most financial experts agree that it is risky to put all of your wealth into just one investment and encourage diversification in multiple stocks, bonds, and cash.*

Buy and Hold: Stock Market Simulation

After switching the date to 2007, ask:

- **What happened to the value of your investments between 2002 and 2007?** *Answers will vary. Most will rise dramatically.*
- **What happened to the prices of the stocks you would have sold in 2002?** *Answers will vary. AMZN, DIS, DOW, XOM, HPQ, IBM, and MON have all recovered; some stocks like TXN and TWX are still well below the January 2000 price. Point out that investors who are willing to take the risk and keep or buy stocks at a low point can earn high returns when the market recovers.*
- **If you had sold them, how would you feel now?** *Frustrated, disappointed, you would have lost a lot of money.*
- **Could you have predicted that they would recover?** *Not with certainty. Some companies are strong and can weather stock market fluctuations, but it was by no means certain in 2002 that Amazon would survive, when many other Internet-based companies shut down.*
- **Which stocks would you have purchased in 2002?** *Answers will vary. Amazon would have been a good choice, but it seemed very risky in 2002.*
- **How did they perform?** *If they bought the stocks listed in b above, they would have earned a lot of money; if they purchased TWX or TXN, they would not have profited.*
- **Did those of you who diversified see an overall gain?** *Most will, but their lower risk strategy could result in a lower return.*