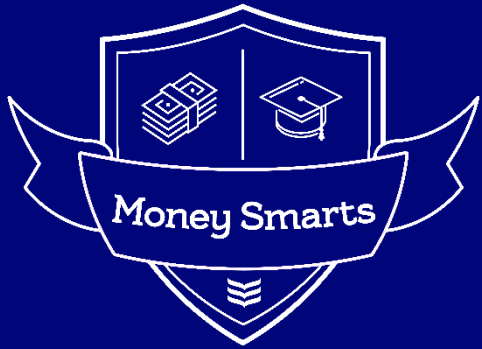


PILLAR 4



Money Smarts Challenge
Investing



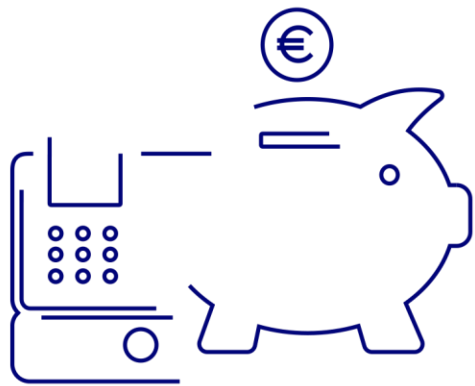
Welcome

Financial Wellbeing is about what you do with your pot of money, not the size of it. It's about making sure you can cover day-to-day expenses, plan for the future and manage the unexpected. This presentation covers investing, a tool often used by people when they have a long term financial goal in mind.

Investing is the fourth of six pillars of Financial Wellbeing. The following information provides your students with a basic understanding of investments. The content is designed to give you a flavour of what you can expect your students to be quizzed on as part of the Money Smarts Challenge.




**Bank of
Ireland**



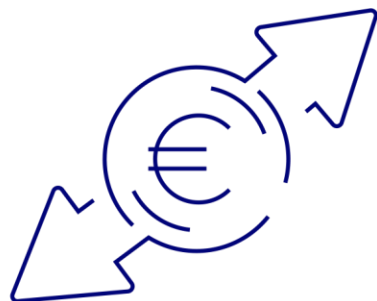
Spending and Saving



Financial Decision Making



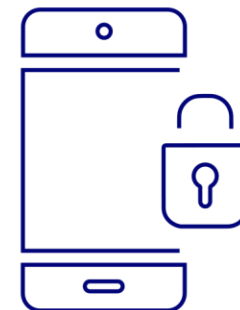
Earning and Income



Credit and Debt



Investing

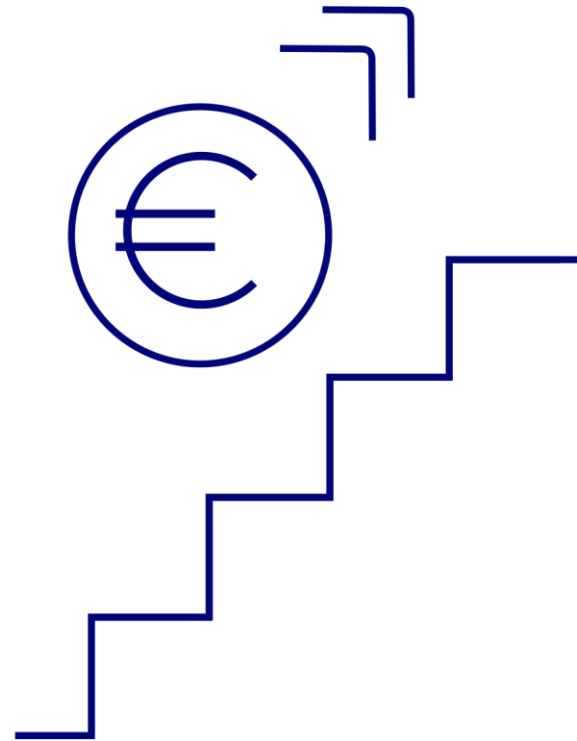


Risk and Protection

WHAT IS INVESTING?

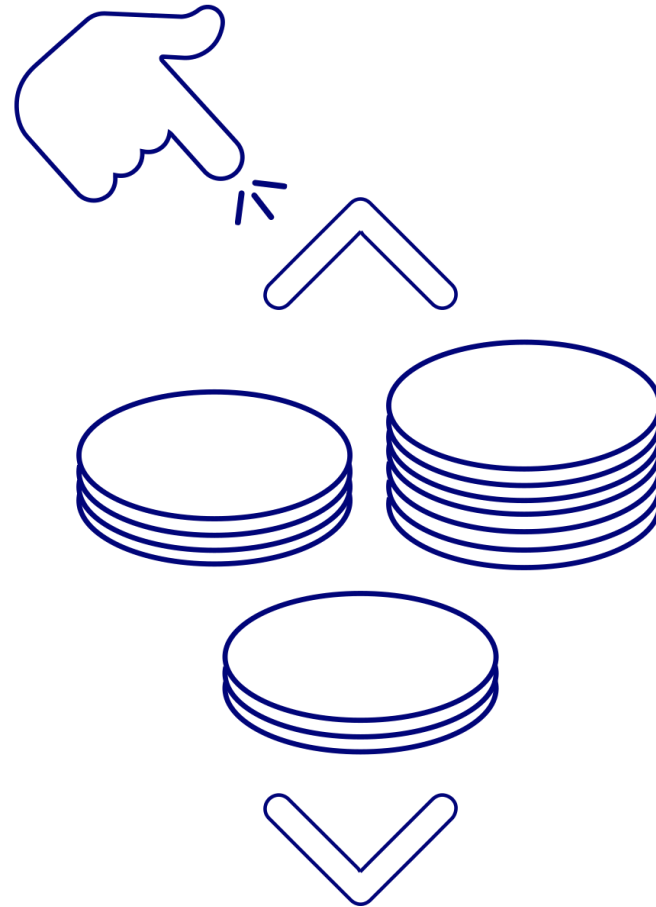
Believe it or not, your education is an example of investing. It's an investment your parents / guardians and teachers are making in you today, so that it pays off in the future.

When it comes to money, people invest it in an attempt to grow it. However, investing carries risk.

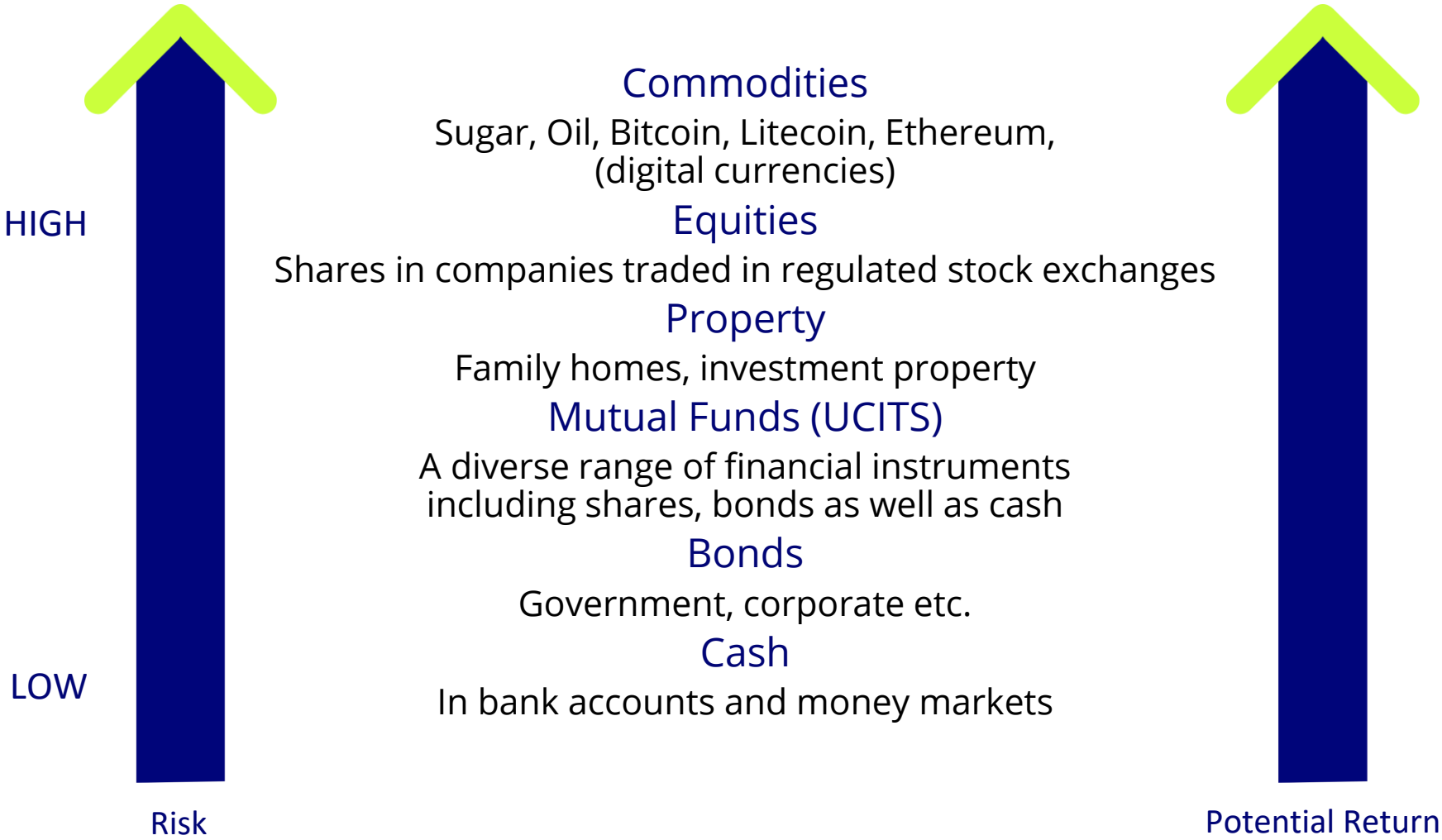


THINGS TO REMEMBER

1. There are many ways to invest money. There are also lots of risks that need to be factored in when making investing decisions. You are not guaranteed a return and it's possible to lose some or all of the money you invest.
2. You may not be able to access your money for a set period of time and it may take longer than it would to take money out of a savings account.
3. The Investment Risk Hierarchy provides an overview of the correlation between risk and expected rates of investment return.
4. Remember, all investments carry some risk so it is important to understand the level of risk you are taking.



INVESTMENT RISK HIERARCHY



THE RULE OF 72

When it comes to investing, there's a rule you can use to calculate the rate of investment growth required to double the value of your money. It's called the Rule of 72.

COMPOUND INTEREST RULE OF 72

Divide the Rule number (72)
by the rate of return (R) to arrive
at the number of years (N)

$$\begin{array}{c} \text{INTEREST RATE} \\ \downarrow \\ \mathbf{72} \div \mathbf{R} = \mathbf{T} \\ \downarrow \\ \text{YEARS TO DOUBLE} \end{array}$$

$$\begin{array}{c} \text{WORKING EXAMPLE} \\ \downarrow \\ \mathbf{72} \div \mathbf{4} = \mathbf{18} \\ \begin{array}{c} \text{4\% Annual} \\ \text{Interest Rate} \end{array} \qquad \begin{array}{c} \text{18 Years to Double} \end{array} \end{array}$$

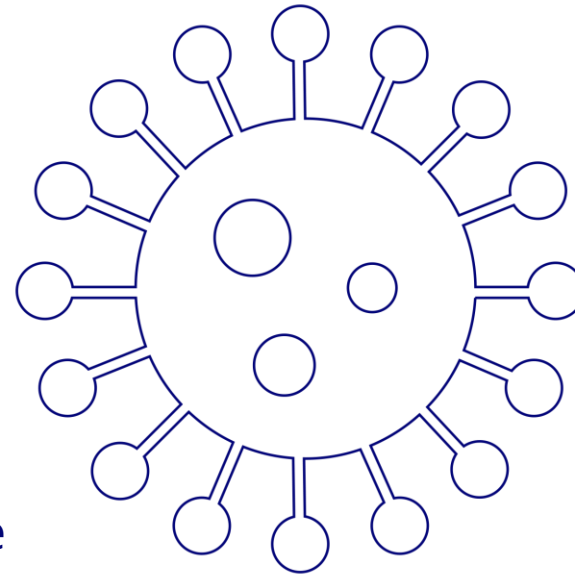
WHAT FACTORS CAN IMPACT YOUR INVESTMENT?

A diverse range of news and other events can impact the value of shares, bonds and cash.

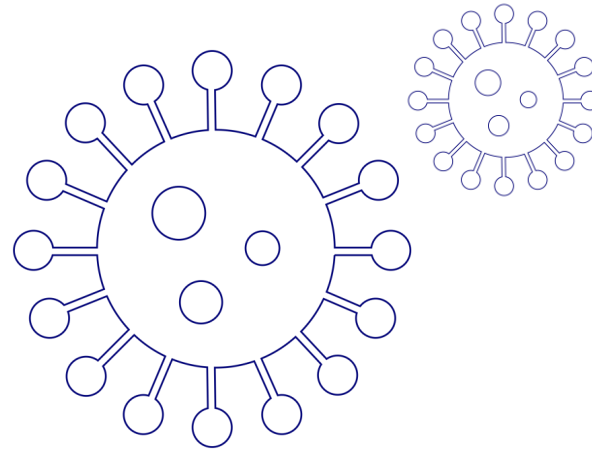
For example, the onset of a pandemic may cause people to sell shares and prices can fall.

The discovery of a vaccine may cause people to buy shares in a company that produces a vaccine and prices rise.

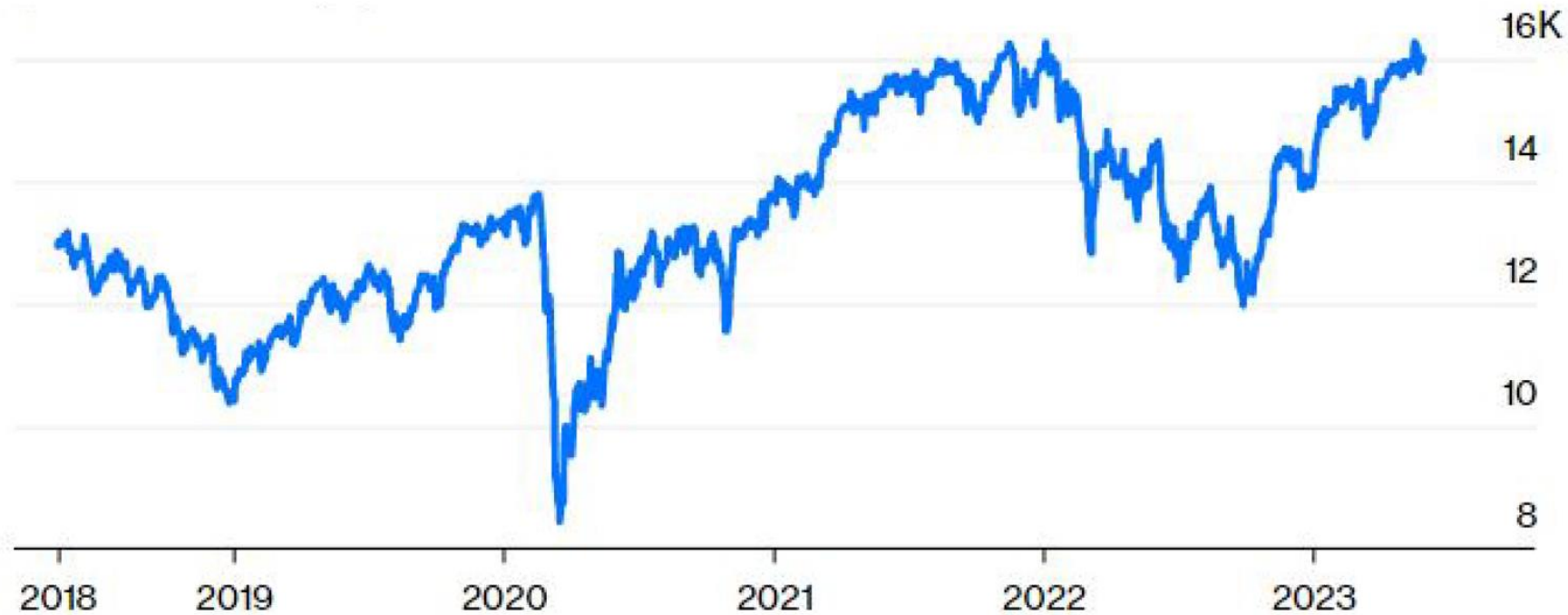
Inflation will impact the 'buying power' of cash and interest rates can impact the value of bonds.



WHAT FACTORS CAN IMPACT YOUR INVESTMENT



This graph shows the impact the onset of Covid-19 had on the German stock market as it dropped sharply.



Source: Deutsche Boerse, Bloomberg



GROUP WORK

In small groups, ask your students to consider the following scenario before presenting their answer back to the class.

Discuss investment risk and diversification and why it's important not to put all your money in a single investment.



Money Smarts Challenge Sample Quiz Questions

To view sample questions from last year's quiz, visit bankofirelanduk.com/moneysmarts and click on the Money Smarts Challenge Sample Quiz Questions PDF.

DISCLAIMER

This document has been prepared by Bank of Ireland and/or Bank of Ireland UK (together the Bank) for informational purposes only. It is not to be reproduced, in whole or in part, without prior permission. Any information contained herein is believed by the Bank to be accurate and true but the Bank expresses no representation or warranty of such accuracy and accepts no responsibility whatsoever for any loss or damage caused by any act or omission taken as a result of the information contained in this document. An individual should obtain independent legal advice before making any decision. The Bank is not responsible for the information on any third party webpages in this document.

Bank of Ireland is regulated by the Central Bank of Ireland and Bank of Ireland UK is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority. Bank of Ireland UK is a trading name of Bank of Ireland (UK) plc. Registered in England & Wales (No. 7022885), Bow Bells House, 1 Bread Street, London, EC4M 9BE.

