

Name: _____

IN THIS LESSON, YOU WILL:

- Use a spreadsheet to create a dollar-cost averaging calculation
- Recognize biases that might affect investing decisions
- Explain how dollar cost averaging works and what it is used for
- Open a brokerage account
- Explain how risk decisions affect your portfolio



INTRO

ACTIVITY: [INTERACTIVE: Invest With Stax](#)

In this unit and the last, we have covered a variety of investment types as well as strategies to diversify your portfolio and manage your risk. Before we look at investing strategies, let's see how your new knowledge is applied in an investing simulation! Play STAX, then use the experience to answer the question.

1. **What strategies did you use while playing STAX that might not work as well in the real world?**



LEARN IT

ARTICLE: [4 Behavioral Biases and How to Avoid Them](#)

Behavioral finance is a field of study that focuses on the psychological components of finance. It studies how biases can affect your investment decisions. Read the article starting at the section Overconfidence to learn about 4 different biases. Then, follow your teacher's instructions to complete the table and answer the questions.

Bias	Describe this Bias	Ways to Avoid this Bias
Overconfidence		

Regret		
Limited Attention Span		
Chasing Trends		

1. What is the result of being too overconfident when choosing your investments?
2. The article notes that we have a natural tendency to avoid feeling regret. What is a strategy that you can use when investing to avoid regret aversion?
3. Give an example of chasing trends when investing. It could be a real life example or one that you make up to show your understanding.

VIDEO: [Is Dollar-Cost Averaging Better Than Lump Sum Investing?](#)

Let's look at a strategy to manage investment risk - spreading out your investments over time. One way to do this is Dollar-Cost Averaging. Watch this video to learn how it works compared to Lump Sum Investing. Then, answer the questions.

1. In your own words, explain the difference in how a person invests their money using dollar-cost averaging versus lump sum investing.
2. Antonio received a \$4,000 bonus and would like to invest it. Explain why it is riskier to put all \$4,000 into a mutual fund at the same time instead of putting \$1,000 per month into the same mutual fund over the next 4 months.
3. Aside from risk, what are some other reasons it is a smart investment strategy to invest a specific amount from your budget every single month?

ARTICLE: [What Is a Brokerage Account and How Do I Open One?](#)

Now that we've talked about behavioral biases and ways of managing risk, we're ready to start investing. You can begin investing by opening a brokerage account. Read the article until you reach Brokerage Account vs IRA (we'll see more on this later) to learn what a brokerage account is and how to open one. Then, answer the questions.

1. **In at least 3 steps, write out the process that you would use to start investing in a taxable online brokerage account.**
2. **What is the main difference between an online brokerage account and a managed brokerage account?**



MATH CONNECTION - Dollar-Cost Averaging in Action

ACTIVITY: [ANALYZE: Dollar-Cost Averaging In Action](#)

Now that we've seen the benefit of dollar-cost averaging and how it can help minimize risk, let's take a look at the numbers in action! Follow the directions on the worksheet to complete the activity.



EXIT TICKET

Follow your teacher's instructions to complete the Exit Ticket.

Teachers, you can find exit ticket questions on the Lesson Guide.