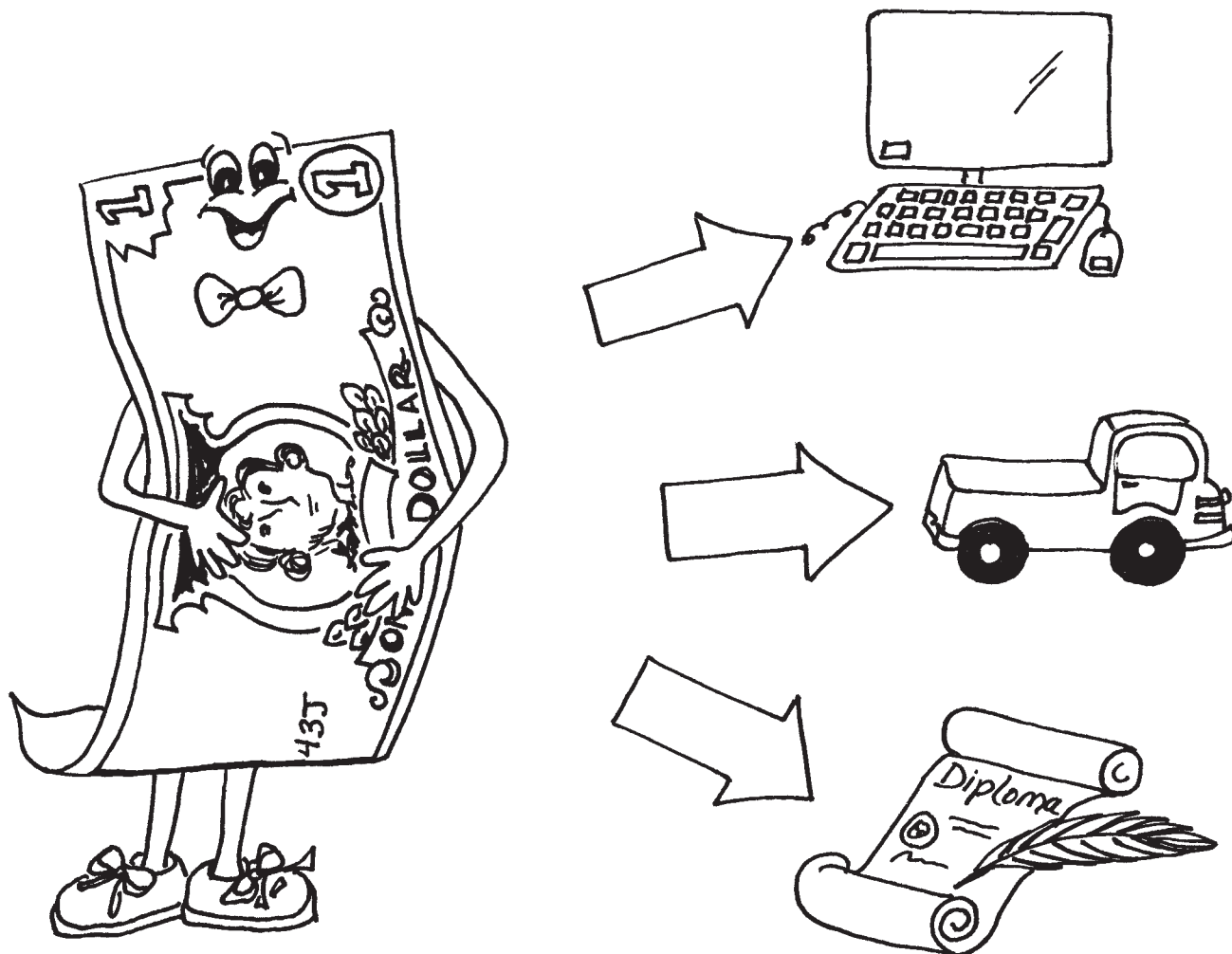


# Investing



**Investing** in capital goods occurs when businesses purchase capital goods in order to increase the productivity of workers. This investment always involves some risk.

Example: A company purchases a new computer system that will enable it to process orders much more quickly.

Investment in **human capital** occurs when individuals invest time and money in education and training. This also involves risk, since the benefits of this investment are likely, but not guaranteed.

## Questions About Investing

1. Give examples of capital goods. *(tools, machines, equipment, buildings, etc.)*
2. Why do businesses invest in capital goods? *(They increase the productivity of workers. This could make a business more successful i.e. profitable.)*
3. If a business invests in capital goods, does that mean that the business will be successful? *(No, capital goods are often expensive. The investment may not be worth it! The business may not recoup its investment costs!)*
4. What are ways to invest in human capital? *(Take courses at college or technical schools, attend seminars and training workshops, be an apprentice, etc.)*
3. How is financial investment different from capital investment? *(Financial investment occurs when individuals purchase financial assets such as stocks, bonds, or certificates of deposit, as opposed to direct purchase of capital goods.)*
6. Discuss different financial investments. *(stocks, bonds, certificates of deposit)*
7. What is the "return" on an investment? *(It is the annual percentage gain you make on your investment. If your stock portfolio earns 7%, that is the "return.")*

## Other Activities and Questions for Your Students

1. Complete the "Productivity Progress" worksheet. Discuss student answers and ways that investments in capital goods have improved productivity. *(Possible answers: plow — tractor, typewriter — computer, shovel — front end loader, horse — truck)*
2. Increases in productivity can cause people to change jobs. Work in small groups to discuss the question at the bottom of the Productivity Progress worksheet. Report group conclusions. Write a short essay on this difficult, relevant issue.
3. Financial investments are important to many people. Complete the "Financial Investments" worksheet. Discuss the relationship between risk and reward. *(An investment with a higher potential for reward will have a higher risk, and vice versa.)* For a kids' site on bonds, see [www.publicdebt.treas.gov/sav/savkids.htm](http://www.publicdebt.treas.gov/sav/savkids.htm).
4. Math Connection: At the web site in 3. above, you can access the entire Money Math: Lessons for Life curriculum. Check it out!
5. Financial investment scams are a serious problem. Always call the Securities Commission in your state if you have any doubts about financial investments. Examine the web site of your state's Securities Commissioner for "Investor Alert" information. List examples of investment fraud found on the site. *(e.g. fraudulent tsunami relief organizations)* List recommended ways to avoid being scammed. Beware of high pressure sales tactics.

Literature Connection: See Appendix A for children's literature lessons.

# Pint-Size Economics

Economics and Personal Finance for Kids



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