Asset Allocation – Teacher Instructions

This game demonstrates to students how asset allocation can change over time and depending on financial goals.

Items Needed Prior to Class

- ✓ One *Asset Tracking Chart* for each student group (4 students per group).
- ✓ Two dice per team.
- ✓ One penny per team.

Pre-Game Instructions:

- ✓ Divide students into groups of 4.

- ✓ Pass out an *Asset Tracking Chart* to each group for their investments.

- ✓ Explain that each team will begin with an imaginary $60,000 that they can divide among three categories.
    - o **Stocks** are the riskiest asset category followed by **bonds**.
    - o **Cash** is the least risky asset category. This category includes savings accounts, certificates of deposits, and money market accounts.

- ✓ Have students determine their financial goals and how they want to "allocate" their $60,000. *They should also take into account their level of risk tolerance and how long they'll be investing in order to reach their goals*. They write the amount they are allocating in each column

- ✓ When they have made their decisions, engage the whole class in a discussion, encourage students to defend their asset allocation.

- ✓ Have students calculate the percentage of their funds allocated to each category of asset by dividing each asset allocation by $60,000. Write these percentages on their worksheet. (see sample).

- ✓ Give each team two dice and a penny.

Instructions/Rules

- ✓ There are 10 rounds of the game.

Source: www.scholastic.com

- ✓ In each round, the students roll one die to indicate which asset category will be affected
  - o 1, 3, and 5 are stocks
  - o 2 and 4 are bonds
  - o 6 is cash

- ✓ Roll the second die to see how much money is involved ($1,000 times the number on the die).

- ✓ Flip the coin to see if it's a gain or a loss (heads is a gain; tails is a loss)

- ✓ Write down the new asset allocation.

- ✓ At the end of Round 10, students compare their asset allocation to their original plan and goals. Engage in class discussion about how they feel about the risks they took (if any).
  - o Do they need to adjust their original investments based on the performance of each asset category?
  - o What surprised them about how much money they ended up with?
  - o What did they learn?
  - o What would they do differently?

Example on Asset Tracker

- ✓ *A team rolls a 2 (bonds) and a 4 ($4,000) and flips tails (loss). They suffer a loss of $4,000 in their bond category, as shown in the chart. Have them write the new total on their chart and calculate new asset allocation percentages. In the example, since the team lost $4,000 they will be dividing by $56,000 instead of $60,000.*

- ✓ NOTE: If a team gets to zero in a category, and they roll that number in a subsequent round, they roll again until they get a category that still has funds in it.

Source: www.scholastic.com