

Name:

Students will be able to:

- Understand what a fund is and how investing in one can create a more diversified investment portfolio
- Explain the difference between active investing and passive investing
- Arrange companies to create a diversified mutual fund

NOTE: Vocabulary for this unit can be found in the [NGPF Personal Finance Dictionary](#)



PROMPT:

Use the space below to answer the prompt.

- 1. Imagine you're buying a dozen donuts for you and your friends. Would you buy all 12 in the same flavor? Or would you buy a box that has a variety of flavors? Why?**



ARTICLE: [What is a Fund?](#)

In the same way that you'd likely buy a box of donuts with a variety of flavors, it's a good strategy to invest in a variety of stocks so that you can minimize risk. While you can individually pick stocks and manage them yourself, most people buy shares of funds that have a collection of stocks. Read through this article, starting from *How Do Funds Work?*, to learn about funds. Then, answer the questions.

- 1. In your own words, describe how investing in a fund is a more diversified approach than investing in a single stock or bond.**

2. **Take a Guess:** Amita wants to invest in a fund *and* choose a few individual stocks and bonds to invest in. Is she allowed to do this? Or, does she have to choose one or the other?
3. **What question(s) about funds do you have now that you've seen the variety of fund options available to you?**

VIDEO: [What is Active and Passive Investing?](#)

In the previous article we learned that some funds are actively managed by a fund manager while other funds are not. Watch this video to learn about the difference between active investing and passive investing. Then, answer the questions.

1. **Fill in the table below about passive investing and active investing.**

	Passive Investing	Active Investing
Who manages the fund?		
Fees (circle one):	Lower Higher	Lower Higher
Return: The goal is to... (circle one):	Outperform the market Match the return of the market	Outperform the market Match the return of the market
Lower or higher risk?		

2. **Do you think you would want to invest in a passively managed fund or an actively managed one? Why?**



ACTIVITY: **MOVE: Let's Make a Mutual Fund**

Let's take a closer look at how funds work and why they are a more diversified approach to investing when compared to picking individual stocks. Follow the directions on the worksheet to complete this activity.



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