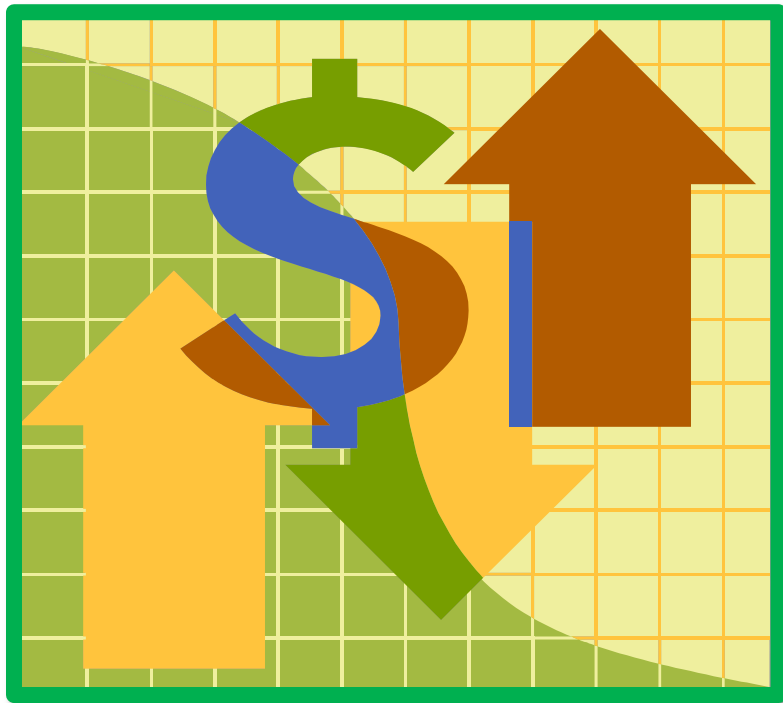




INVESTING: THE STOCK MARKET



Personal Finance: Stocks

Up, down, up,
down...this market is
making me dizzy.



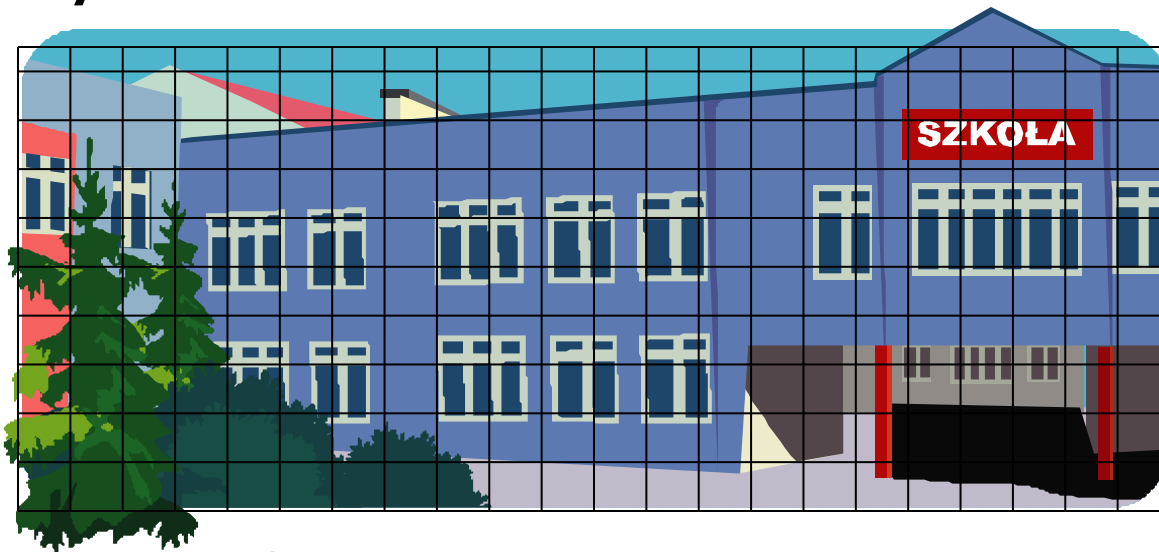
Lesson Objective

Students will learn what stocks are and how they work.



Stock

Simply put, Stocks are pieces of a company. When a company needs to raise money, it will sell a portion of its company to investors.



The owner of the stock now has claim on that portion of the company's value.

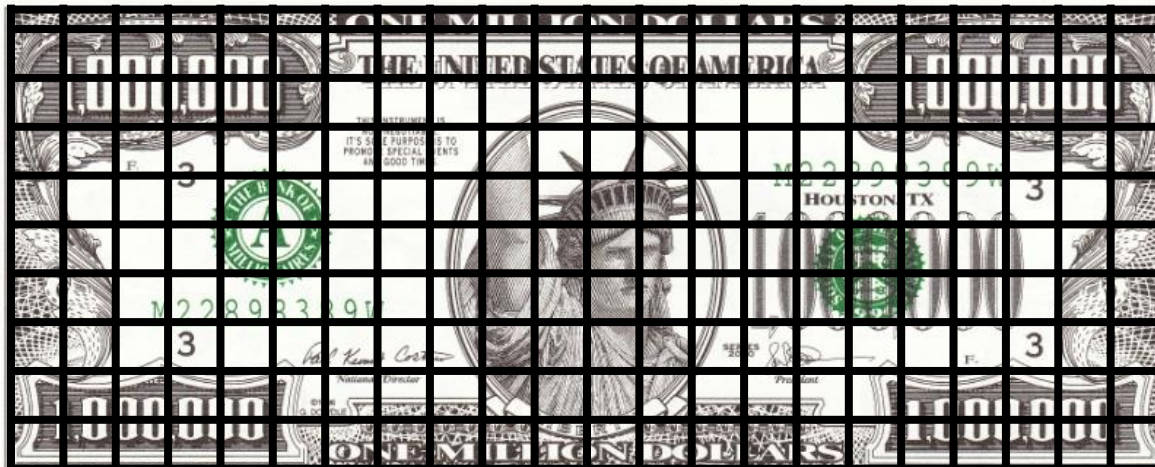


Stock

Each Stock has a value assigned. That value is based on the current value of the company as a whole. For example:

If a \$1,000,000 company has 1,000,000 stocks each stock is worth \$1.00.

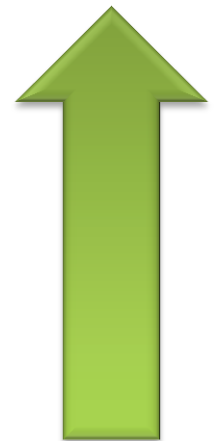
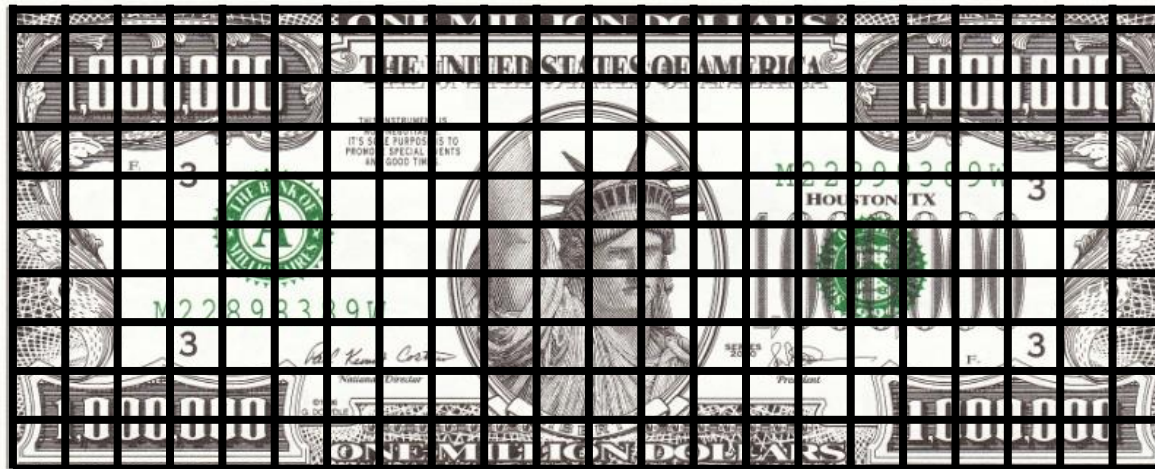
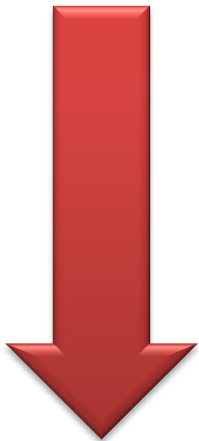
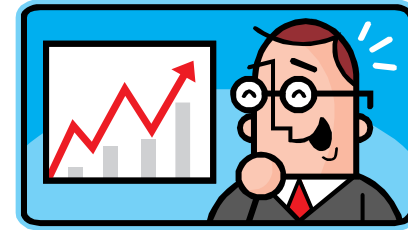
$$\$1,000,000 \div 1,000,000 = \$1.00$$





Stock Ups and Downs

If the company loses money, the stocks lose value. But if the company makes money, then the stocks gain value.





Buying Stock

I have \$5. I want to buy stock from Company A that is worth \$1 per stock. How many can I buy?

Stock Price	Action	How Many	Stocks	Money



Buying Stock

I have \$5. I want to buy stock from Company A that is worth \$1 per stock. How many can I buy?

$$\$5.00 \div \$1.00 = 5$$

Stock Price	Action	How Many	Stocks	Money
\$1.00	Buy	5	5	\$ 0.00



Buying Stock

The company announces a new product making the company's value go up to \$4 per stock. This is a good time to sell.

Stock Price	Action	How Many	Stocks	Money
\$1.00	Buy	5	5	\$ 0.00



Buying Stock

The company announces a new product making the company's value go up to \$4 per stock. This is a good time to sell.

$$\text{\$4.00} \times 5 = \text{\$20.00}$$

Stock Price	Action	How Many	Stocks	Money
\$1.00	Buy	5	5	\$ 0.00
\$4.00	Sell	5	0	\$20.00



Buying Stock

Company B has stock at \$2 per stock.
How many can I buy?

Stock Price	Action	How Many	Stocks	Money
\$1.00	Buy	5	5	\$ 0.00
\$4.00	Sell	5	0	\$20.00



Buying Stock

Company B has stock at \$2 per stock.

How many can I buy? 10

$$\$20 \div 2 = 10$$

Stock Price	Action	How Many	Stocks	Money
\$1.00	Buy	5	5	\$ 0.00
\$4.00	Sell	5	0	\$20.00
\$2.00	Buy	10	10	\$0.00



Buying Stock

Their stock is popular. It is now selling at \$10 per stock. I am going to sell half of them now, but I'll hold on to the rest in hopes that the price goes even higher. You do the math.

Stock Price	Action	How Many	Stocks	Money
\$1.00	Buy	5	5	\$ 0.00
\$4.00	Sell	5	0	\$20.00
\$2.00	Buy	10	10	\$0.00



Buying Stock

Their stock is popular. It is now selling at \$10 per stock. I am going to sell half of them now, but I'll hold on to the rest in hopes that the price goes even higher. You do the math.

Stock Price	Action	How Many	Stocks	Money
\$1.00	Buy	5	5	\$ 0.00
\$4.00	Sell	5	0	\$20.00
\$2.00	Buy	10	10	\$0.00
\$10.00	Sell	5	5	\$50.00



Buying Stock

I guessed right. The company has proven very successful. Its stock is now selling at \$20.00. I'm going to sell the rest of my stock.

Stock Price	Action	How Many	Stocks	Money
\$1.00	Buy	5	5	\$ 0.00
\$4.00	Sell	5	0	\$20.00
\$2.00	Buy	10	10	\$0.00
\$10.00	Sell	5	5	\$50.00



Buying Stock

I guessed right. The company has proven very successful. Its stock is now selling at \$20.00. I'm going to sell the rest of my stock.

$$\text{\$20.00} \times 5 = \text{\$100.00} + \text{\$50.00} = \text{\$150.00}$$

Stock Price	Action	How Many	Stocks	Money
\$1.00	Buy	5	5	\$ 0.00
\$4.00	Sell	5	0	\$20.00
\$2.00	Buy	10	10	\$0.00
\$10.00	Sell	5	5	\$50.00
\$20.00	Sell	5	0	\$150.00



Practice

1. Start with \$150.00. Buy 15 stock at \$10 each.
2. The stock is losing value fast. Sell quick at \$5.00 per stock.
3. A new company has stock at \$3.00 each. Buy 25.
4. The stock goes up to \$7.00 each. Sell all 25.
5. Buy another stock at \$2.00 each. How many can you buy?
6. Sell all your stock at \$3.00.
7. How much money did you make overall?



Practice

Stock Price	Action	How Many	Stocks	Money
\$10.00	Buy	15	15	\$0.00
\$5.00	Sell	15	0	\$75.00
\$3.00	Buy	25	25	\$0.00
\$7.00	Sell	25	0	\$175.00
\$2.00	Buy	87	87	\$1.00
\$3.00	Sell	87	0	\$262.00

$$\$262.00 - \$150.00 = \$112.00$$



Review:

1. What are stocks?
2. What does stock gives its holder claim to?
3. If a company is valued at \$500,000,000 and they have 1,000,000 stock, what is each stock worth?



Review:

1. What are stocks?

Pieces of a company.

2. What does stock gives its holder claim to?

A piece of the company and its overall value.

3. If a company is valued at \$500,000,000 and they have 1,000,000 stock, what is each stock worth?

$$\cancel{\$500,000,000} \div \cancel{1,000,000} = \$500$$

(hint: to make the math easy, cross off an equal number of 0's from each number.)