Econ Essentials

EDUCATOR GUIDE

Navigating Economic Content from Econ Essentials and Other Resources for Student Investment Clubs

A Road Map for Teachers, Club Advisors and Students

Grade Level

9–12

Disciplines

Agriculture

Business

Family and consumer sciences

Audience

High school teachers

Career and technical student organization advisors

Investment Club members

Econ Essentials: An Introduction

Econ Essentials is an ever-growing collection of unique, interactive resources that introduces high school students to core economic and financial principles. Developed through a partnership between Futures Fundamentals and Discovery Education, Econ Essentials provides students and educators with access to a wide range of standards-aligned resources, including engaging videos, self-paced learning modules, and interactive lessons designed to connect these concepts to everyday life. Students can continue their learning journey on these core principles beyond Econ Essentials through a wide range of resources on Futures Fundamentals that dive into these topics through the lens of futures and derivatives.

Extend Learning with Futures Fundamentals

Futures Fundamentals is a one-stop educational resource designed to simplify and explain complex market topics and help learners of all levels discover how these topics play an essential role in the world around us. Through interactive features and rich content, the website explains the role of futures markets in everyday life and provides information on the derivatives industry as a whole. Topics range in complexity from basics like supply and demand to more complex ones, including futures and options, hedging and speculating, and liquidity. Futures Fundamentals is the driving force in an industrywide effort to develop accessible risk management education and an educator landing page provides an overview of the many features and topics that students can explore. Visitors to Econ Essentials are encouraged to take a deeper dive into the world of risk management, futures and derivatives on the Futures Fundamentals website. It offers many resources to help explore futures and options and how they fit in to the investment landscape. The following are just a few ways to use this expansive resource with students.

Investing Clubs and Econ Essentials

Econ Essentials features resources that can be used and/or adapted for use in after-school or community-based investing clubs for students. The information in this guide will help advisors become familiar with Econ Essentials, determine which resources might work best for their clubs and students, and make connections between these resources and common investing topics.

Investing Topics	Stock Prices	Buying and Selling Stocks	The Power of Interest Rates	IPOs	Futures and Derivatives
Econ Essentials Resources	Rapid Response Fueling the Future The Facts about Food	Behavioral Economics The Impact of Supply Chain Disruption	Foundations of Finance	How Algae Could Change the Fossil Fuel Industry	Futures Fundamentals
	Getting Started				**Diving Deeper**

Investing Topics and Econ Essentials

Check out the common investing topics below and see what resources from Econ Essentials are a match. Additional information about each type of resource can be found later in the guide.

Stock Prices

Club members should understand that the price of a stock is set through a market of buyers and sellers. Many factors can influence stock prices, including current events, economic conditions, and consumer demand.

Rapid Response: What Happens When Supply or Demand Changes Quickly? (hot topic activity)
What causes the supply of a product to change in the blink of an eye? Why does demand for certain products soar at times and fall at others? In this activity, students work in small groups to examine instances of rapid change in the supply and/or demand of specific products. Students will explore the economic concepts illustrated in the examples, including how changes in supply and demand curves impact prices, equilibrium points, scarcity, and the role of government.

For Investing Clubs
Students are often interested in how current events impact the price of stocks. This activity helps students to understand some of the underlying economic concepts that drive those price fluctuations. The lesson could be followed up with students creating some general rules of thumb for investors about how certain types of events may impact the price of companies in various industries. For example, what might happen to the stock of companies such as Home Depot or Lowe's in the wake of a natural disaster such as a hurricane?

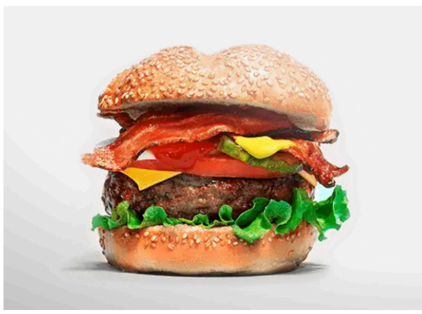
Fueling the Future (interactive module)
The price of fuel is often a factor that must be considered when a business sets prices for products and services. But how are fuel prices set? In this simulation, students must predict future gas prices to help an imaginary business turn a profit. But first they must learn how and why gas prices fluctuate and understand the impact of those changing gas prices. This self-paced module covers four topics: Supply, Demand, and a Pair of Sneakers (an introduction to supply and demand), What's Behind Prices at the Pump? (how supply and demand factor into the production of gasoline), The Rise and Fall of Gas Prices Through History (how events affect the price of gasoline and how the price of gasoline affects events), and Name Your Price (a simulation applying the module information to a student-run business).

For Investing Clubs
Are your students interested in investing in gas or oil-related companies? Invite them to complete this self-paced interactive

module before coming to a club meeting. Discuss what they learned and use one or more of the prompts below to facilitate discussion.

- How important is it to understand an industry before you choose to invest in it?
- What do you think the relationship is between the price of a barrel of crude oil and the price of oil- and gas-related companies? Challenge students to research the answer.

The Facts about Food (interactive module)
Ever wonder why food costs what it does? In this module, students are taken on a journey from farm to wallet and investigate what causes the prices of certain foods to increase and decrease. Sections include Supply, Demand, and the Food at Your Table (an introduction to supply, demand, and the relation both have to food prices), Supply and Demand along the Food Supply Chain (an introduction to how supply and demand factor into the production of food at every point in the food supply chain), and Risks on the Ranch (an explanation of risk and how it affects food prices).



For Investing Clubs
Many students like to “buy what they know.” Food manufacturers and restaurants often fit into this category of “known” brands and companies. But do your students know what goes into the price of foods or how this might impact the costs and profits for restaurants, grocery chains, and more? Assign this self-paced module to students as “homework” between club sessions and then engage students with one or more of the discussion topics below.

- Think of a favorite brand of food or a restaurant you like. What could interrupt its ability to meet customer demand?
- Imagine you are the CEO of a company facing supply challenges. You have two choices: raise prices for consumers or reduce profits. Which would you choose and why?
- Can you think of a business that has dealt with supply challenges? What caused the issue and how did the company respond? What happened to its stock prices during this time?

Deciding to Buy or Sell

Many factors influence an investor's decision to buy or sell stock. The Econ Essentials resources below can help students explore many of these factors and can lead to worthwhile conversations about what to consider before making a trade.

Introduction to Behavioral Economics (digital lesson bundle)
What is behavioral economics and how is it different from traditional economics? With the activities in this digital lesson bundle, students explore the difference between "humans" (those who act as behavioral economists would expect) and "econs" (those who favor a traditional economic way of decision-making). Students participate in experiments and learn about herding, the status quo bias, sunk costs, and the misconception of randomness.

For Investing Clubs
Students can benefit from learning how various concepts and theories from the field of behavioral economics apply to investing. Set the stage with one or more of the introductory activities from this digital lesson bundle. If you have limited time, ask students to watch the video from the introduction before coming to a club meeting. The theories presented in Session 2 from the bundle have a direct connection to investors. Conduct the activities from this session in full or abbreviate them. Follow up with one or more of the discussion prompts below.

- The activity uses investing in retirement plans as an example of the status quo bias. People have a preference for doing what they are already doing. Do you think companies should automatically invest employees' money in retirement plans or should employees be required to sign up first?
- Take what you have learned about sunk costs and the misconception of randomness. Can you think of any applications to investing?

How We Are Affected by Preference: Loss Aversion and the Endowment Effect (digital lesson bundle)
Do people place more value on gains or losses? How are people affected by preference when making financial decisions? With this digital lesson bundle, teach students that people tend to dislike losing financially about twice as much as they like gaining financially (loss aversion) and tend to overvalue what they already own (the endowment effect). Students participate in multiple experiments, debrief the results, and compare their outcomes with those of others. In the "Find the Connection" activity, students explore various scenarios and determine what concept is being illustrated. The

challenge activity requires students to consider how businesses use loss aversion and the endowment effect to their advantage.

For Investing Clubs
Loss aversion and the endowment effect can have profound impacts on the decisions people make about investing. Use components of this digital lesson bundle to introduce your students to these important concepts. You can adapt the "Find the Connection" activity and focus on the two cards with direct connections to investing: Retirement Savings and Investing in the Market. If you have very limited time, skip the activities and use the How We are Affected by Preference video; then, use one or more of the prompts below to challenge students to consider how understanding loss aversion and the endowment effect might make them better investors. Additionally, the challenge activity can be applied to companies the students are researching as investments.

- In investing, the concept of risk tolerance is frequently discussed. People with a low tolerance for risk might prefer to invest in less-volatile stocks, greatly diversify their portfolios, or invest in less-risky asset classes such as bonds. How do you think loss aversion and risk tolerance are related? Do you think investors might be willing to take on more risk if they were taught about loss aversion?
- If students are investing (either real money or in an investment simulation), challenge them to consider how both loss aversion and the endowment effect impact their investment decisions. Do they think more about a potential loss than about a potential gain? Are they tied to investments they already own?

How We Are Affected by Others: The Question of Choice
(digital lesson bundle)
How much of people's decision-making processes are they responsible for? To what extent are they "nudged" into making decisions based on the options provided? A concept behavioral economists call "herding" occurs when people make decisions based on who is around them and what choices those people are making. On the other hand, our decision-making can also be affected when we are provided with too many choices, a concept called "decision paralysis." Confirmation bias also impacts how people view the information they receive. In these lessons, students examine experiments that help behavioral economists better understand and predict how people's choices are affected by other people. They also consider how decisions can be influenced by businesses (for the purpose of profit), government agencies, and other organizations.

For Investing Clubs
All three of the concepts in this digital lesson bundle have direct applications for advisors. Consider exploring each one with the resources from the lessons and additional discussion prompts.

- **Herding:** This concept was introduced in the introductory lesson and is expanded upon in this lesson. Pay particular attention to the "Sort the Experiments" activity and the example that is discussed in the debrief which asks students to consider the following ways in which herding is tied to investing: an expert says something is a "great investment," lots of people start investing in a new technology (without doing their own homework), and scammers buy stocks to make the price go up and then sell.
- **Decision paralysis:** What do restaurant menus have to do with investing? Both frequently provide people with an abundance of options that can lead to decision paralysis. In Session 2 of this lesson, students consider restaurant menus and how they can influence customer selections. Challenge students to apply what they learn to investing. What role does offering "too many" choices play for investors? How could investment companies or services be used to help new investors, in particular, avoid decision paralysis?
- **Confirmation bias:** When it comes to investing, confirmation bias can lead investors to focus on information that reaffirms what they already believe. Invite students to read this article from Investopedia on how confirmation bias impacts investing and discuss ways they can avoid being victims of confirmation bias in their own investment choices.

How We Are Affected by Price: Anchoring and the Power of Price
(digital lesson bundle)
Are people's buying decisions dictated more by preference or by price? Does the average person understand how to navigate price anchoring? The behavioral economics principle known as the "anchoring effect" influences the amount people are willing to pay for items. In this lesson, students begin by participating in an activity that demonstrates how being provided with a specific dollar amount can influence the price people recommend for an item. After learning about anchoring, students discover that people have an easier time valuing items with which they are familiar, which can diminish the anchoring effect. Through a series of activities and discussions, students consider how their buying and selling decisions can be influenced by prices and how the anchoring effect can come into play.

For Investing Clubs
Prices impact many aspects of investing. Consider the following ways to use this digital lesson bundle with your investing club.

- **Company pricing strategies:** When researching companies, it can help for students to understand a company's pricing strategy and the implications it can have for investors. With the "Anchoring (and More) in Action" activity, students learn about various pricing strategies and the impact they can make on sales—a key driver in the profitability of a company.
- **Price per share and stock splits:** Are you more willing to buy 10 shares of a stock that costs $50 per share or one share that is priced at $500? Challenge students to consider the impact of stock prices on their decisions after they learn about anchoring. How might this impact a company's decision to split its stock?
- **Fractional share investing:** Are your students familiar with fractional share investing, which allows investors to buy a portion of a stock? This fairly new concept makes it easier for people to invest in higher-priced stocks. What concepts from behavioral economics might have led companies to start offering this service? Would you rather own a full share of a stock or a fractional one?

The Impact of Supply Chain Disruption (video)
In this 6-minute video, students meet Angela Hawkins, owner and founder of Bamblu; Joe White, global automotive editor for Reuters; and Vinay Patel of Fairbrook Hotels. Each provides a different perspective on how supply chains were interrupted by the global COVID-19 pandemic and the impact this had on businesses. Both challenges and opportunities are highlighted, along with potential lessons for the future.

For Investing Clubs
The COVID-19 pandemic impacted supply chains in many industries. After watching the video with students, challenge them to investigate the impact the pandemic had on a company of interest. If possible, direct students to select companies from different industries. Pose one or more of the following questions:

- How did the COVID-19 pandemic impact the price of the company's stock?
- Imagine you owned 100 shares of this stock before the pandemic began. Would you have sold any of them, decided to buy more shares, or held onto the ones you had? Explain your reasoning.

- Has the company changed anything in response to the pandemic? If so, what? If not, do you think it should have? Would this influence your decision to invest in the company?
- What industries do you think were hit hardest by the pandemic? How might this impact your decision to invest in these industries in the future?

Interest Rates and the Price of Stocks and Bonds

Changes in interest rates impact both stocks and bonds. Students should understand that when it costs a business more to borrow money, its stock price may drop. The relationship between interest rates and bond prices is an inverse one. This means that when interest rates rise, bond prices fall, and vice versa. Before students learn about the impact of interest rates on businesses, it can help for them to understand the personal implications.

Foundations of Finance (interactive module)
Interest rates can have enormous impacts on personal finances. In this simulation, students must navigate the tricky financial decisions that arise after graduation from high school, from obtaining student loans to buying a car. They watch their fortunes grow—or shrink—based on the choices they make. The content of this self-paced module covers three topics: Interest Rates Overview (introduction to interest rates, how interest rates are determined, consumer loans, and consumer borrowing), Interest Rates in Your Life (exploration of changing interest rates and benefits, opportunity costs, and risks associated with interest rates), and Interest Rates in the Real World (application of interest rates concepts in real-world scenarios).

For Investing Clubs
Before students dive into the impact of interest rates on businesses and investors, it can help if they understand how interest rates impact individuals. This interactive module can be assigned to students in advance of a club meeting and the lessons applied in a discussion about the role of interest rates for investors. Use one or more of the prompts below to facilitate discussion.

- When people borrow money, they agree to pay a certain interest rate. What impact does a higher interest rate have on borrowers?
- Why might a business decide to borrow money?
- Businesses can apply for loans for various reasons, including to finance expansion, invest in research and development, and make acquisitions. Another option is to issue more stock. Which do you think is a better option for a business: take out a loan or issue more stock?
- The general rule of thumb is that when interest rates go up, bond prices go down and vice versa. Why do you think this happens?

IPOs

When a company first offers stock to the public, it is called an initial public offering, or "IPO." Students may be interested in companies that announce their IPOs. Encourage them to do their homework by understanding not only the company and its fundamentals but also the industry and the company's competition.

How Algae Could Change the Fossil Fuel Industry (video)
In this 5-minute video, students meet Dave Hazlebeck, CEO of Global Algae Innovations. His company is developing new techniques to convert algae into energy. The challenges associated with bringing new and innovative technologies to market and reaching a sufficient scale to make the solutions viable are presented.

For Investing Clubs
The energy industry is one of many where there have been and likely will continue to be many innovations over the coming years. Use the video as a springboard for one or more of the following discussions:

- Why is developing new ways to generate energy important? What does this mean for new companies?
- Investigate energy companies with recent or upcoming IPOs. Would you invest in them? What would you need to know in order to make that decision?
- The company that is featured in the video, Global Algae Innovations, is a privately held company. If it were to offer stock through an IPO, would you invest in it? What would influence your decision?

Futures and Derivatives

In a derivatives marketplace, individuals—and businesses—are able to lock in a future price by putting it into a binding contract. These products are called futures and options. Each is a contractual agreement to buy or sell an amount of something at a fixed price at a future date. With futures and options, investors make money when prices fluctuate.

For Investing Clubs

Looking to take your students on a deeper dive into the world of risk management, futures and derivatives? Futures Fundamentals offers many resources to help your students explore futures and options and how market participants can use them to manage risk and allocate assets. The following are just a few ways to use this expansive resource with students:

- **Learn the basics:** Use articles and videos from Futures Fundamentals to teach students the underlying concepts of investing in futures and how doing so can help navigate financial risk.
- **Hedger or speculator:** Invite students to take Hedger or Speculator quiz to see what these look like in real life. Follow it with the video on Hedging and Speculating to learn more.
- **Explore the marketplace:** Before students invest in futures, they should know how the marketplace works. This section of Futures Fundamentals helps students to understand concepts including liquidity, market snapshots, candlestick charts, and what goes into placing a trade.
- **Compare and contrast:** After learning about futures exchanges, invite students to consider how they are similar and different from stock markets.
- **Try your hand at trading:** Give students the opportunity to explore trading futures. Start with the trading tutorial. To access the trading simulator, students will need to register with an email address. Alternatively, create your own account and participate in the simulation as a group.

WHY FUTURES?

There's more to investing than just stocks and bonds. Challenge your students and broaden their investing horizons by introducing them to commodities. Individual investors can participate in the futures market as speculators—seeking to profit when the price of futures contracts changes. Seem complex? That's where Futures Fundamentals comes in—both for you and your students. There you will find basic information about what futures are and why they matter, how futures play a role in the prices people pay for everyday items, and more detailed information about futures exchanges.