**Teacher’s Guide – HoweyTrade Investment Program** **Classroom Activity**

Slide 1:

Today, we are going to discuss the “HoweyTrade Investment Program.” We hope this will be a memorable and interesting class about money! Managing money is an important skill for everyone to have.

We will be using our HoweyTrade Investment Program worksheet throughout today’s class. Please make sure you have a pencil or pen and the worksheet out now. Thank you!

Slide 2:

Before we start, let’s talk about investing – what it is and why it is important. When we invest, we put money toward something with the expectation that it will earn a profit in the future. In other words, it’s about making our money grow. Investing is a critical part of building wealth over time.

Of course, our knowledge, skills, and access to investing are just one part of our financial capability. In addition to planning for the future, we need to spend wisely and manage credit effectively. Today we’ll take a close look at investing!

Slide 3:

As we watch this 2-minute video, please take notes in the first three boxes of the worksheet. You’ll be taking notes on:

* Reasons someone might be INTERESTED in investing in HoweyTrade;
* Reasons someone might NOT BE INTERESTED in investing in HoweyTrade; and
* Any questions you may have about HoweyTrade.

Slide 4:

[Play video available at: <https://www.youtube.com/watch?v=rWFAMR1dER0>]

Slide 5:

Before we start our discussion, let’s take a quick poll. On your worksheet, circle a number from 1 to 10 based on your level of interest in HoweyTrade as an investment. A “1” is a low level of interest/no interest; on the other hand, a “10” is a very high level of interest. You can circle any number from 1 to 10.

Slide 6:

Let’s separate into groups based on our responses. [Note: size of groups can be adjusted based on level of interest in HoweyTrade.] Who circled 8, 9, or 10? Please get together and we’ll call you, “Group A.” Who circled 4, 5, 6, or 7? Get together and we’ll call you, “Group B.” The rest of you will be “Group C.”

When you are in your group, please share one reason with your group members why you selected the number you did!

Slide 7:

For our final poll question, assume that you just won $1,000 in a contest and you want to grow that money through investing. Discuss within your group how much of the $1,000 you would like to invest in HoweyTrade.

I’ll give you a couple of minutes to discuss the amount within your group before you finalize your answer. [Note: groups can select any amount between $0 and $1,000. Ask for Group A’s answer first, followed by Group B and Group C’s answer. Write the answers down in a place that all of the students can see them!]

Slides 8-9:

Do you remember the “[b]ut wait there’s more” graphic at the end of the first video? What was that all about? Let’s keep on watching.

[Play the first 75 seconds of The HoweyTrade Investment Program Explained video, available at: <https://www.youtube.com/watch?v=B6GQyGWagKI>]

[*Optional activity*: Use the search tool on Investor.gov to search for Tom McWhortle. [The search should come up with “No results to display.] Now try researching the background of an investment professional with the same name as you. Would you consider working with that person? Why or why not?

Here’s what SEC investor education staff says about using the search tool:

Once you search for an investment professional on Investor.gov, there are three key things to look for: if “registered” appears in green that person is licensed by a regulatory authority; if “previously registered” appears in gray, that person was registered in the past, but currently isn’t; and if “disclosure reported” appears in red, that person has had a complaint, sanction, or judgment filed against them and you should click “Get Full Report” for the details before proceeding.

If you can’t find an investment professional in the search tool, that’s a red flag. “No results to display” means they are not registered!

Slides 10-11:

We just learned that HoweyTrade is not real. A “red flag” – generally speaking – is a warning sign. Looking back, was there anything that seemed suspicious about the HoweyTrade Investment Program? Let’s make a list of HoweyTrade “red flags.”

[Start a list of investment fraud “red flags” in a place that students can see them. You will need to refer to the list later.]

Slide 12:

Now, let’s discuss the investment fraud red flags that investor education staff at the U.S. Securities and Exchange Commission want you to learn about. The first one is “Promises of Great Wealth.” Did we have that on our list of red flags? [If so, circle it.] [If not, ask: what is an example of this red flag in the HoweyTrade video?]

Slide 13:

To lure you in, the fraudster says, “I’ve made my clients millionaires. Do you want a new car, a new house, and a life of luxury?” Fraudsters show you luxurious images and imply that if you give them your money, “This could be yours.”

Slide 14:

Another red flag is “high guaranteed returns.” Did we have that on our list? [If so, circle it.] [If not, ask: what is an example of this red flag in the HoweyTrade video?]

Slide 15:

The fraudster promises, “You can earn an extra $500 per week – guaranteed.” Don’t trust anyone who says you will make a lot of money with no risk. Every investment has risk. Generally, the higher the returns the higher the risk. Most fraudsters spend a lot of time trying to convince investors that extremely high returns are guaranteed or “can’t miss.”

Slide 16

Did we have “Calling Out Scammers” on our list? [If so, circle it.] [If not, ask: what is an example of this red flag in the HoweyTrade video?]

Slide 17

The fraudster says, “There are a lot of scammers out there posing as experts.” Some fraudsters may try to make you think they are genuine by telling you to watch out for other people trying to take your money. This is a tactic that fraudsters use to appear trustworthy.

Slide 18

Another red flag is “exaggerated credentials.” Did we have that on our list? [If so, circle it.] [If not, ask: what is an example of this red flag in the HoweyTrade video?]

Slide 19

The fraudster claims, “I got my MBA and worked at top financial firms all around the world.” Fraudsters tend to make up or exaggerate their credentials. They may try to build credibility by claiming to be with a reputable firm, have graduated from a prestigious school, or have a special credential or experience. It’s not a good idea to invest with someone just because the person claims to have an impressive background or track record.

Slide 20

Did we identify “Fake Testimonials and Celebrity Endorsements” as a red flag? [If so, circle it.] [If not, ask: what is an example of this red flag in the HoweyTrade video?]

Slide 21

A paid actor says, “I’ve made $1,934 in the last 10 minutes!” Fraudsters love to create a buzz and use fake testimonials to convince you that others have invested. Don’t be fooled by actors pretending to be real people who made money. And it is not a good idea to invest in something just because a famous movie star, professional athlete, or other celebrity claims to have made money.

Slide 22

The final red flag is “pressure to act now.” Did we have it on our list? [If so, circle it.] [If not, ask: what is an example of this red flag in the HoweyTrade video?]

Slide 23:

To try to pressure you to invest right away, the fraudster says, “I’m only giving access to the first 100 subscribers!” Fraudsters may claim that only a certain number of individuals can get in on the investment. Or, they may tell you that the offer will disappear in a matter of hours. Don’t get caught up in FOMO (fear of missing out). Do your research and take your time making a decision on any investment opportunity.

Slide 24

So far we’ve learned a great deal about investment fraud and you have become more skilled at identifying investment fraud red flags. Now let’s turn to some investing basics.

Knowing how to secure your financial well-being is one of the most important things you’ll ever need in life. You don’t have to be a financial expert to do it. You just need to know a few basics, create a plan, and be ready to stick to it for the long term. Educate yourself about financial opportunities, including opportunities to invest!

Slide 25

Create a plan. Your first step is to create a plan that meets your financial goals. For example, do you want to own your own house someday, or do you want to travel a lot? Think about what’s important to you as you make your plan.

Invest regularly. Consider always paying yourself or your family first by allowing your bank to automatically take money from your checking account or paycheck and deposit it into an investment account.

Risk. All investments have risk. Generally, the higher the returns the higher the risk. You could even lose all of your money.

Diversification. The best way to protect yourself against risk is to spread your money among various investments. It’s just like the old saying, “Don’t put all of your eggs in one basket.”

Low-costs and fees. There are fees and costs associated with investment products and services. These fees may seem small, but over time they can have a major impact on your investment portfolio.

Slide 26

Like fees, taxes can have a major impact on your investment portfolio.

Index funds can be a low-cost, tax-efficient, and diversified way to invest.

Slide 27

Now, let’s turn back to HoweyTrade. Do you remember our poll question about investing $1,000?

Let’s see how much money Group A would have after 40 years? If Group A invested [\_\_\_] dollars in HoweyTrade, they would have lost all of that money. If they invested the remaining amount in an index fund earning an average annual investment return of 7 percent, how much money would they have over 40 years? How would we calculate that?

If we multiply the remaining amount by 40, would that be a good estimate? Why or why not?

[After discussion with the class, use Investor.gov’s [Compound Interest Calculator](https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator) to do the calculations or ask students to do them. Using the calculator, enter in amounts for Initial Investment (remaining amount), Estimated Interest Rate (7), and Length of Time in Years (40). An initial investment of $400 will grow to $5,989.78 in 40 years assuming an annual interest rate of 7 percent.]

[Repeat calculations for Groups B and C.]

Slide 28:

If we didn’t have a calculator available, we can use the Rule of 72 to estimate the calculations that we just did. To use the Rule of 72, simply divide the number 72 by your investment’s expected rate of return. Assuming an expected rate of return of 7%, your investment will double in value about every 10 years (72 divided by 7 equals 10.3). That means our initial amount will double approximately 4 times. One doubles to two, two doubles to four, four doubles to eight, and eight doubles to 16. That’s four doubles. If we multiply our initial investment amount by 16, that should give us a reasonable estimate of the investment’s value after 40 years.

Group A’s investment times 16 equals \_\_\_\_\_\_\_\_. How does this compare with our calculation using the compound interest calculator?

Group B’s investment times 16 equals \_\_\_\_\_\_\_\_\_. How does this compare with our calculation using the compound interest calculator?

Group C’s investment times 16 equals \_\_\_\_\_\_\_\_\_. How does this compare with our calculation using the compound interest calculator?

Now, let’s try another Rule of 72 calculation. Suppose you saved money in a bank account earning an average of 1.8% per year for 40 years.

[Answer: To use the Rule of 72, divide the number 72 by your investment’s expected rate of return. Assuming an expected rate of return of 1.8%, your investment will double in value about every 40 years (72 divided by 1.8 equals 40.) So the initial amount will double just one time!]

Slide 29-30

Let’s conclude with three tips for investing wisely.:

* First, look out for the warning signs of fraud, especially promises of great wealth, high guaranteed returns, and pressure to invest now.
* Second, use Investor.gov as a resource for its content, calculators and tools. You can use it to check the background of an investment professional.
* Lastly, be sure to research any investment before you invest. Take your time. There’s no need to rush.

Slides 31-34:

Activity #1 (estimated time: 10-15 minutes)

* Visit Investor.gov/HT and take the “ [HoweyTrade” Investing Quiz](https://www.investor.gov/additional-resources/spotlight/investing-quizzes/howeytrade). Or complete it on the HoweyTrade worksheet.
* Draft 5 new investing quiz questions based on what you’ve learned about investing and avoiding fraud from the HoweyTrade lesson. Be sure to highlight the correct answer and write 1-2 sentences explaining why the answer is correct.

Activity #2 (estimated time: 15-20 minutes)

* Visit Investor.gov and read one of these three materials:
	+ [Social Media and Investment Fraud – Investor Alert](https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-alerts/social-media)
	+ [Top 10 Investment Tips for College Students](https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins-99)
	+ [Ponzi Scheme webpage](https://www.investor.gov/protect-your-investments/fraud/types-fraud/ponzi-scheme)
* Draft three bullet points on what you’ve learned about investing and avoiding fraud from the HoweyTrade lesson. Be sure to include hyperlinks to relevant pages on Investor.gov.

Activity #3 (estimated time: 15-20 minutes)

Complete the “Identifying Investment Fraud Red Flags” matching activity on the HoweyTrade worksheet.

[Answer Key: 4,3,6,1,5,2]

Extra Credit: Create a matching game activity with “Investment Fraud Red Flag” examples of your own.

Slide 35

This presentation is based on information that the Office of Investor Education and Advocacy of the U.S. Securities and Exchange Commission (SEC) has provided as a service to investors. It is neither a legal interpretation nor a statement of SEC policy. If you have questions concerning the meaning or application of a particular law or rule, please consult with an attorney who specializes in securities law.

This teacher’s guide is based on information that the Office of Investor Education and Advocacy of the U.S. Securities and Exchange Commission (SEC) has provided as a service to investors. It is neither a legal interpretation nor a statement of SEC policy. If you have questions concerning the meaning or application of a particular law or rule, please consult with an attorney who specializes in securities law.