

PERSONAL
FINANCE
in a **FLASH**

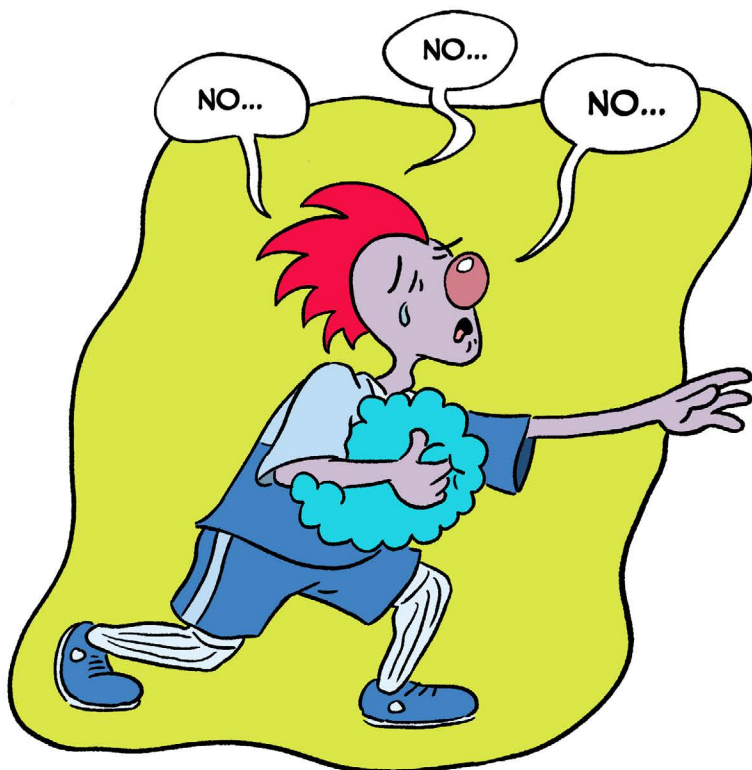
Worth the RISK?

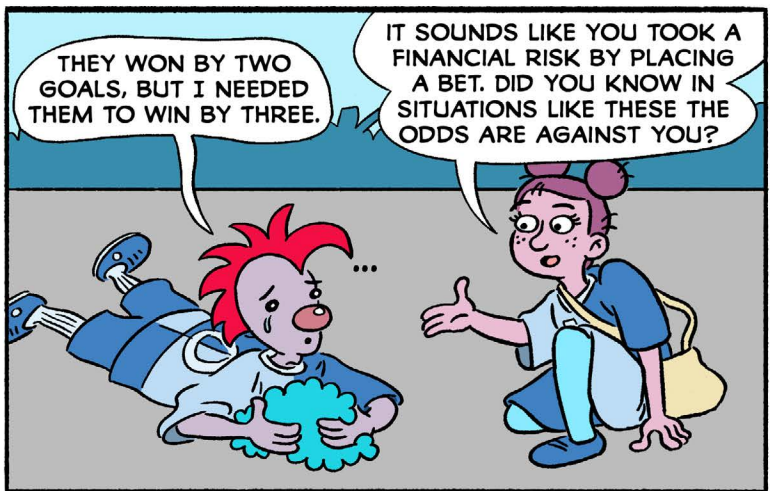
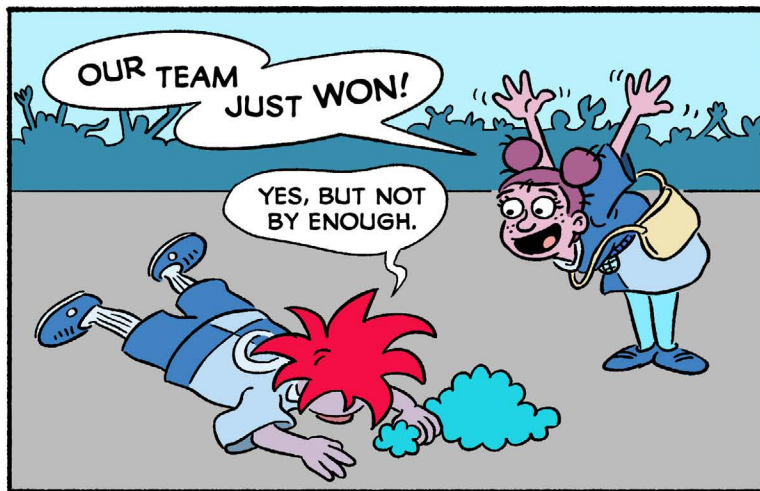
...LESS THAN A
MINUTE TO GO
HERE, FOLKS...

SPORTS RESTAURANT

HERE
WE GO
NOVUS

FEDERAL RESERVE BANK OF KANSAS CITY • FEDERAL RESERVE BANK OF NEW YORK

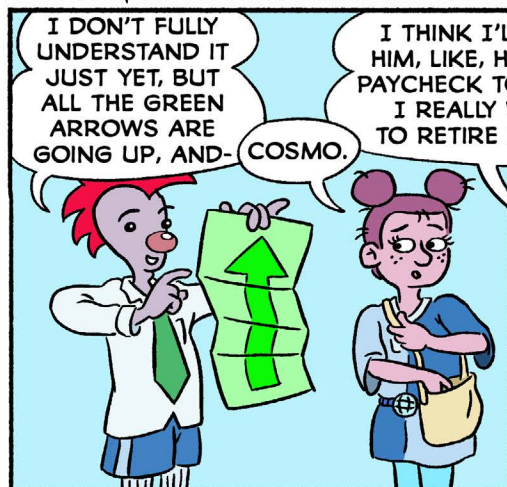
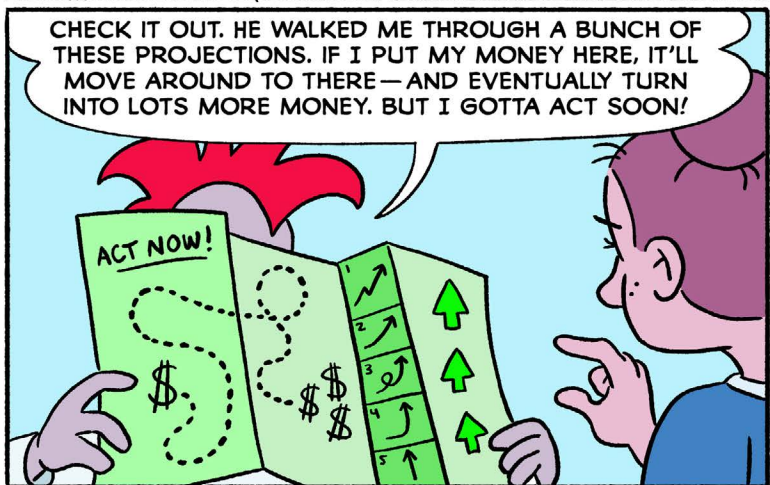
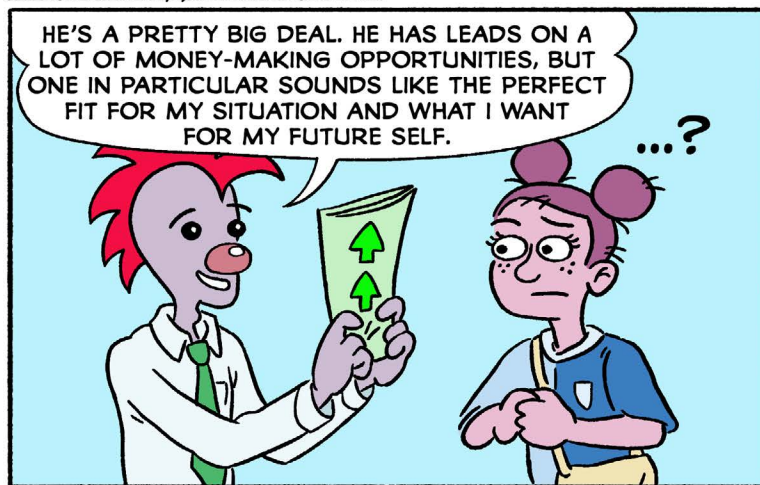




IF YOU WANT TO TURN YOUR MONEY INTO MORE MONEY, THERE ARE LESS RISKY WAYS TO DO SO, LIKE OPENING A SAVINGS ACCOUNT OR STARTING A CD (CERTIFICATE OF DEPOSIT).*

*A Certificate of Deposit is a savings alternative in which money is left on deposit for a stated period of time to earn a specific interest rate.

For this definition and many others, check out the glossary at: federalreserveeducation.org



IN ECONOMICS, THERE IS A TRADE-OFF BETWEEN RISK AND RETURN.¹

A PERSON MAY BE TEMPTED BY SOMETHING THAT HAS A HIGH RETURN. BUT THOSE TYPES OF MONEY-MAKING VENTURES OR ACTIONS OFTEN COME WITH HIGH RISK.²

WITH EACH FINANCIAL DECISION, YOU HAVE TO COMPARE THE COSTS (OR NEGATIVES) WITH THE BENEFITS (OR POSITIVES). YOU MIGHT ALSO CONSIDER IF A DECISION IS BASED ON CHANCE VERSUS SOMETHING CERTAIN WITH LESS RISK.

PLACING FUNDS INTO EASY MONEY-MAKING SCHEMES OR GAMBLING VENTURES CAN BE APPEALING. BOTH PROMISE VERY HIGH RETURNS, BUT THE RISK OF LOSING MONEY IS ALSO VERY HIGH—THE ODDS ARE AGAINST YOU.

INVESTMENTS THAT HAVE LOW RISK OFTEN HAVE LOWER RETURNS.

THAT IS WHY IT IS IMPORTANT TO DO A FEW THINGS:

1. ONLY USE MONEY YOU CAN AFFORD TO LOSE IF PLACING IT INTO BETS OR THINGS BASED ON CHANCE. KNOW THAT THE ODDS ARE AGAINST YOU, MEANING FINANCIAL LOSS IS LIKELY.
2. ASK QUESTIONS AND USE TRUSTWORTHY SOURCES TO RESEARCH BEFORE INVESTING. REMEMBER THAT MONEY-MAKING OPPORTUNITIES OFTEN INVOLVE SOME RISK, SO WEIGH THE COSTS AND BENEFITS TO EVALUATE YOUR OPTIONS.
3. BE AWARE OF THE TRADE-OFF BETWEEN RISK AND RETURN! IF SOMEONE OFFERS AN INVESTMENT WITH UNREALISTICALLY HIGH RETURNS, AND INSISTS THERE'S NO RISK OR PUSHES YOU TO ACT QUICKLY, THINK VERY CAREFULLY ABOUT IT. THE ECONOMIC WAY OF THINKING SUGGESTS THEY MAY BE TRYING TO SCAM YOU.

RESEARCHING, EVALUATING THE COSTS AND BENEFITS, AND UNDERSTANDING THE TRADE-OFF BETWEEN RISK AND RETURN CAN HELP YOU MAKE BETTER DECISIONS WITH YOUR MONEY.

IT'LL ALSO LET YOU ENJOY THE UNIVERSE CUP WITH LESS STRESS. 😊

ONE SECOND... I'M JUST GONNA GO AHEAD AND CANCEL THAT MEETING WITH BIG DEAL BRYAN.

SO YOU HAVE TIME FOR AN ACTIVITY?!

¹ CEE National Econ Standards: National Benchmark 2.M.1 "Making rational decisions involves trading off the expected value of one opportunity against the expected value of its best alternative."

² CEE National Personal Finance Standards: Standard Investing 8-6: "Different types of investments expose investors to different degrees of risk."

TONIGHT! ON...

Worth the RISK?



THE SCENARIOS BELOW DESCRIBE WAYS CONSUMERS CAN POTENTIALLY WIN OR LOSE MONEY. READ THEM ALL, THEN GO BACK AND RANK THEM BASED ON WHAT YOU BELIEVE THE LEVEL OF FINANCIAL RISK IS FOR THE CONTESTANT INVOLVED.

THE SCENARIO WITH HIGHEST RISK = **4**

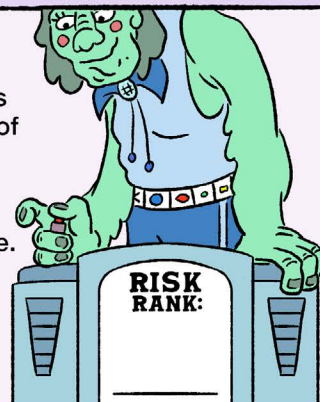
THE SCENARIO WITH LOWEST RISK = **1**

THEN, ANSWER THE QUESTIONS THAT FOLLOW...

Potra loves her video game's daily challenge, where she picks one of three coconuts to win tokens, play perks, or... nothing. The challenge has cool lights and sounds, and she's won the best prize a few times. It requires 40 tokens, which Potra buys if she doesn't have enough saved.



Brivla is a big sports fan and just joined an online fantasy league. Everything with her is sports, sports, sports. Most of her paycheck goes to the league, but she believes her sports knowledge gives her a real shot at the \$1,000 prize.



Jabin's newsfeed shows the MegaGalaxy lottery jackpot is \$100 million. He's been saving \$200 a month for a new family cruiser but decides this month to spend it on lottery tickets instead. He is sure that buying more tickets will increase his chances of winning.



Monsley wants to pay off his debt quickly. His favorite influencer promotes an investment that promises to multiply money in record time. Since he can't make the minimum loan payment anyway, he decides to put all he can into the investment.



1. WHY DID YOU RANK THE SCENARIOS IN THAT ORDER?
2. THE ECONOMIC WAY OF THINKING SAYS THAT YOU SHOULD COMPARE THE BENEFITS AND COSTS BEFORE MAKING A DECISION. PICK ONE OF THE SCENARIOS ABOVE AND LIST THE BENEFITS AND COSTS OF THE DECISION. ARE THE BENEFITS GREATER THAN THE COSTS, OR IS IT THE OTHER WAY AROUND? WHY?
3. OVERALL, HOW DO THE SCENARIOS DEMONSTRATE THE RELATIONSHIP BETWEEN RISK AND RETURN? WHEN CONSIDERING ALL THE SCENARIOS, ARE THE FINANCIAL REWARDS OR RISKS GREATER? EXPLAIN YOUR RESPONSE.