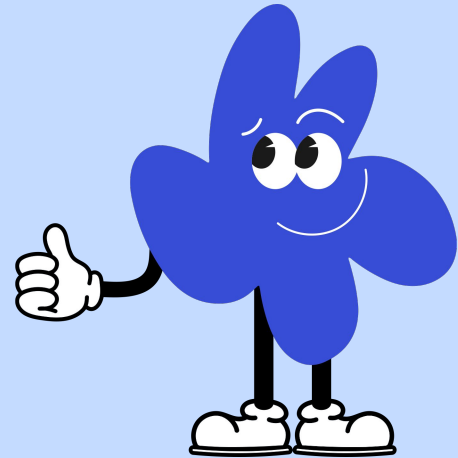


Fourth Grade

Financial Literacy

Lesson 7
Bonds and Commodities



Vocabulary

Bonds

A bond is a loan made by an investor to a borrower that is typically the government or a corporation.

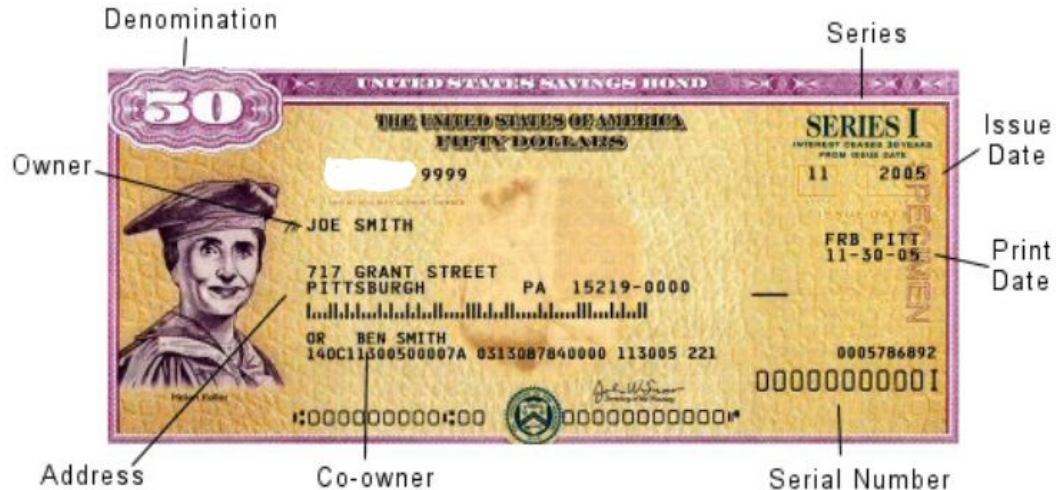
The details of the loan include when it is due to be paid back to the investor (called the maturity date) and how much interest the investor will earn on the loan.

Governments often issue bonds to help pay for things like playgrounds, school buildings, and roads. Corporations will issue bonds to help them buy equipment or to hire people. Bonds are considered a safe investment because you're promised to get your original investment back, but they offer lower returns than stocks.



Example of a Bond

XYZ Corporation wants to borrow \$1 million to pay for the construction of a new factory but the bank hasn't given it a loan. Instead, XYZ decides to raise the money by selling \$1 million worth of bonds to investors. Under the terms of the bond, XYZ promises to pay its bondholders 5% interest per year for five years, with interest paid semiannually. Each of the bonds has a face value of \$1,000, meaning XYZ is selling a total of 1,000 bonds.



Vocabulary

Commodity

A commodity is a basic good that is bought and sold and that is swappable with other commodities of the same type.

For instance, a bushel of wheat is the same as every other bushel of wheat. A barrel of oil is the same as every other barrel of oil. That's different than a bottle of soda, because Pepsi and Coke taste different.



Codruta Istrati / Getty Images

What are some other commodities?

How Do You Buy and Sell Commodities?

There are a few ways to invest in commodities:

- A spot market lets individuals or corporations exchange cash for the actual product. If you went to a fish market and bought a truckload of shrimp you would be participating in a spot market.
- A publicly traded company that earns its money from the sale of a commodity allows an investor to profit from the sale of a commodity. For instance, Exxon Mobil (XOM) or Chevron Corp (CVX) make most of their money from oil and gas sales.



Getty Images

How Do You Buy and Sell Commodities?

- A specialized market like the Chicago Board of Trade lets investors bet on the future of price of a particular commodity such as corn, gold, soybeans, or ethanol. These are called options or futures. They are difficult to do well without a lot of experience in the stock market.
- A commodity [exchange-traded fund \(ETF\)](#) lets investors bet on the future price of a type of commodity, such as precious metals buy making a purchase on a stock exchange just like a stock.



Jonathan Kim / Getty Images

Vocabulary

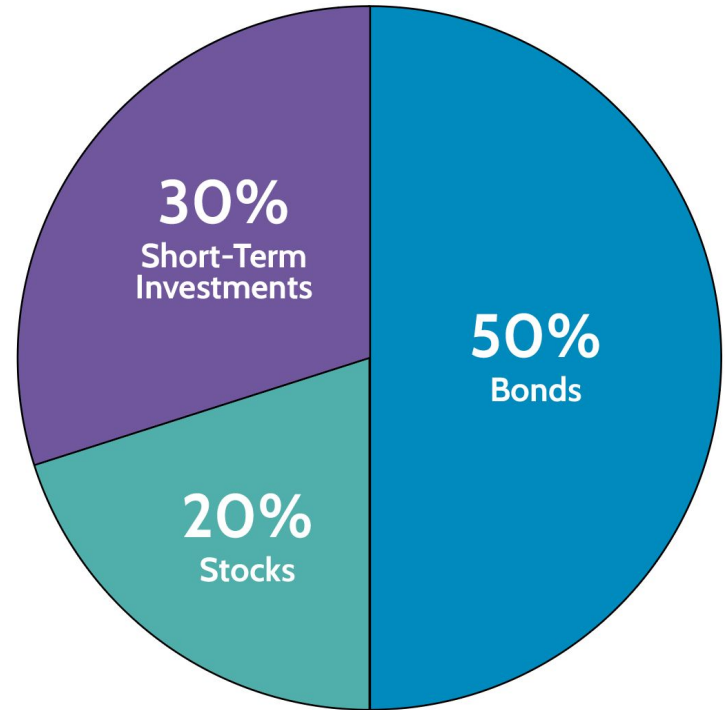
Financial Portfolio

A portfolio is a collection of financial investments like stocks, bonds, commodities, cash, and savings. But it can include other things too, such as a house, gold, or art.

When you own multiple types of investments, you are said to be diversified. A diversified financial portfolio is less risky because your stock prices might go down but your bond prices might go up, for example.

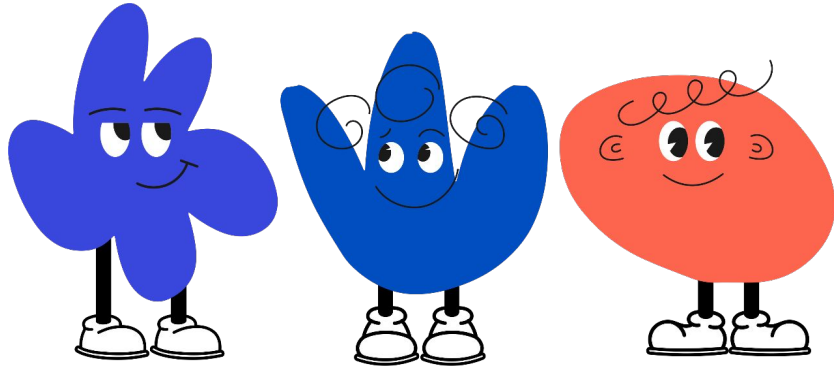
Other than stocks, what else would you put in your portfolio?

Asset Allocation for a Conservative Portfolio
(Hypothetical Example)



Activity: Re-Check Your Watchlist

How has the stock price changed since you last checked?

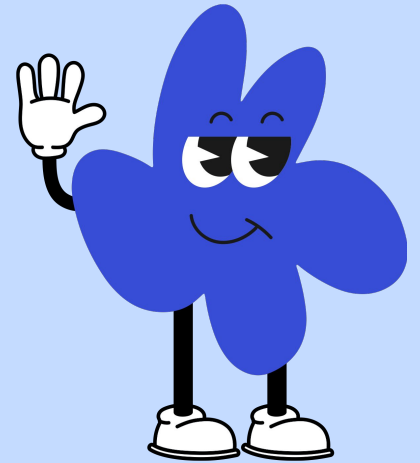


Stock Research

Today's Date: _____

Company Name	Stock Symbol	Stock Price When Last Researched	Stock Price Today	Change in Price

thanks.



APPENDIX: Resources and Activity Worksheets

Slide 8: Re-Check Your Watchlist

- Have the students pull out their “Stock Research” worksheet from Lesson 5 during this lesson.
- They should check the price of each stock again, noting what has changed in the last column for each stock.
- Discuss the question listed on slide 8 as a group once complete.