

Task 1: Investment Strategy Document

Time: 75-100 Minutes

Before you build a house, you need a blueprint. Before you go on a road trip, you need a map of where you're going. Before you invest a single dollar, you need a strategy.

Instructions

Part 1: Define Your Portfolio Objective (10-15 mins)

Your objective is to define what success looks like for you and how you'll measure it. It must be specific, measurable, and clear.

Guiding Questions

(Pick a single, hypothetical goal for your investment portfolio.)

- What is the financial goal you're investing for? (e.g., a down payment on a house, paying for college, retirement, etc.).
- How much money would you realistically need to achieve this goal? Does this mean you need slow and steady growth or more aggressive, faster growth?
- Is the primary purpose of your portfolio to generate maximum growth, provide steady income, or simply preserve the money you started with?

Part 2: Create Your Risk & Diversification Plan (10-15 mins)

This is where you decide on your ideal mix of investments. This mix, called your *asset allocation*, should be based on your objective and your comfort with risk.

Key Definitions

- **Time Horizon:** the amount of time you plan to keep your money invested before you need to cash it out for a specific goal.
- **Risk Tolerance:** your comfort level with the possibility of losing money in exchange for the chance of greater returns.

A. Justify Your Allocation

Write a short paragraph that connects your investment goal, your time horizon, and your comfort with risk. Below are some guiding questions to help get started.

What is Your Time Horizon?

- Based on your goal, how many years from now would you need this money?
- Is your time horizon short-term (1-5 years), medium-term (5-10 years), or long-term (10+ years)?
- How does the length of your time horizon give you an advantage or a disadvantage as an investor?

What is Your Risk Tolerance?

- On a scale of **1-5** (1=very conservative, 5=very aggressive), how much risk are you willing to take for a chance at higher returns?
- Is it more important for you to protect your initial investment from any loss, or to maximize your potential gains, even if it means risking a loss?
- How does your time horizon influence your comfort with taking risks? (e.g., Are you more willing to take risks if you have more time to recover?)

B. Target Asset Allocation

Decide what percentage of your portfolio you want to dedicate to each asset type. You may have more options available in your class, depending on what your teacher enabled.

ASSET TYPE	TARGET ALLOCATION (%)
Stocks (Shares of individual companies)	
ETFs / Mutual Funds (Baskets of many stocks/bonds)	
Bonds (Loans to a company or government)	
Other Asset Classes (Specify each type on their own line)	
Total	100%

Part 3: Make Your First Trades (45-50 mins)

Based on your objective and plan, identify your first 2-5 investments. For each one, you must write a brief (2-3 sentence) rationale explaining why you chose it and how much you intend to invest. Use PersonalFinanceLab's research tools, brainstorm companies, look up tickers, and form a logical reason for each investment.

Helpful Tools on PersonalFinanceLab

- [Symbol Lookup](#): to find the ticker symbol for companies you know.
- [Sector and Industry Explorer](#): to discover companies in industries you're interested in (e.g., Technology, Healthcare, etc.).

Example Scenario:

- You decide to invest a total of \$80,000.
- Your plan is to allocate 10% of this to Nike (NKE).
- You look up NKE and its current Last Price is \$95.50.

Step 1: Calculate the Dollar Amount for Each Asset

For each investment, calculate the specific dollar amount you will invest.

- *Formula: (Total Investment Amount) x (Target Allocation %) = Dollar Amount to Invest*
- **Example Calculation for Nike (NKE):** $\$80,000 \times 0.10 = \$8,000$

Step 2: Find the 'Last Price'

This is the current price per share. You need this to figure out how many shares you can afford.

- Log in to the Stock Game, look up the ticker for your asset, and find the "Last Price" on the quote page. Write this number down.
- **Example for Nike (NKE):** \$95.50

Step 3: Calculate the Number of Shares to Buy

You will divide the money you've budgeted by the price per share.

- *Formula: (Dollar Amount to Invest) / (Last Price) = Number of Shares*
- **Example for Nike (NKE):** $\$8,000 / \$95.50 = 83.769\dots$

IMPORTANT: You Can Only Buy Whole Shares!

The stock market requires you to buy whole numbers of shares. You cannot enter "83.769" into the order form. To make sure you have enough cash to complete the order, you must always round down to the nearest whole number. This is also the "Quantity" you will use on the actual trading page.

Submission Checklist

Before you submit your Investment Strategy Document, make sure you have completed all of the following:

- My **Portfolio Objective** is specific, measurable, and clearly written.
- My **Target Asset Allocation** percentages add up to 100%.
- I have written a clear justification explaining why I chose my allocation mix.
- I have identified at least two initial investments with their ticker symbols.
- I have written a logical, 2-3 sentence rationale for each of my initial investments.