

HKFYG Lee Shau Kee College
BAFS Department

Submission for Teaching Award for Business and Financial Education 2019

Title: Enriching personal financial planning in secondary school through authentic learning

Topic chosen: Personal Financial Planning and Investments

Team members: Mr. Lam Ho Wai Martin, Mr. Tse Chi Yuen Carson

Targeted students: S.4

Submitted materials:

1. PDF file consist of:
 - a. Descriptive summary
 - b. Scheme of work
 - c. Lesson plan (8 lessons in total)
 - d. School based notes
 - e. Students' work – Personal financial plan
2. PowerPoint for teaching in lesson
3. Students' photo – Stock trading board game(股壇達人)

Descriptive summary:

The content of personal financial management in BAFS curriculum is not comprehensive enough; as a result, our College rearranged the teaching sequence and content of personal financial planning. In supplementary to the curriculum, besides identifying the financial needs in different life stages and common financial products, students will learn to analyse their income and expenditure as well as their family from their personal experience to helping others to make rational investment and insurance. Through the school-based content, students will be able to draft a simple financial plan for themselves, to have better planning when they enter society. They will be equipped with the knowledge of planning for one's financial needs, then obtain the skills of drafting financial plan and making rational investment. Through the skills and knowledge, it helps to cultivate their positive attitude toward personal financial planning.

在中學課程中提及到有關個人理財的內容不多，故此本校在高中 BAFS 科把「策劃個人理財及投資」課題整合至配合 HLC 生活智慧主題的校本內容。

同學透過 8 節的課堂，分析自己及家庭的開支及財務需要，從了解自己最貼身的人和事開始，繼而學習不同人生階段的財務狀況及需要。配合了解不同金融產品的特質，為不同風險承受能力的人士選擇合適的投資產品，並且為他們選擇合適保險切合他們不同保障的需要。

於分析過自己及家庭的處境後，同學把所學習的知識及技巧應用於個人理財常用的生命週期(life cycle)，找出不同人生階段的財務目標及需要，與及所需的保險，為生活提供保障。最後把所有資料整合成個人理財計劃組合，讓他們於中學時期已有一個基礎認知，於將來投身社會工作、有穩定收入後為自己作長遠的計劃。

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S.4 Business, Accounting and Financial Studies
Scheme of Work for Personal Financial Planning and Investments

Students: S.4

Textbook: NSS Business, Accounting and Financial Studies: Basics of Personal Financial Management

Period per week: 5

Intended outcome:

1. Equip the knowledge of planning for one’s financial needs
2. Equip the skills of drafting financial plan and making rational investment
3. Cultivate the positive attitude of personal financial planning

Outline:

Basics of Personal Financial Management						
<u>Unit 3: Personal Financial Planning and Investments</u>						
<i>After completing this topic, students will be able to:</i>						
<ul style="list-style-type: none"> - Explain the importance of personal financial planning at different life stages - State the features of different common financial instruments - Explain what risk and return are and their relationship - Describe the risk-return trade-offs of different investment products - Diversify the risk in an investment portfolio - Draft a financial plan for different life stages - Describe employees’ rights and responsibilities under the Mandatory Provident Fund System - Describe the rights and responsibilities of individual investors and consumers of financial services 						
Week(s)	Lesson(s)	Teaching Content	Teaching Aid	Skills for students	Assignment/ Assessment	Remarks
2	1	<ul style="list-style-type: none"> • Importance of personal financial planning • The personal financial planning process - Life cycle approach • Needs and wants in financial planning 	<ul style="list-style-type: none"> - Textbook - PowerPoint - Notes - Mini whiteboard - MPF booklet 	<ul style="list-style-type: none"> ➤ Basic explanation skill ➤ Decision-making skill ➤ Concept map 	<ul style="list-style-type: none"> ➤ Interview family members for the insurance bought by the family 	

	2	<ul style="list-style-type: none"> • Importance of saving • Financial instruments - Common types of insurance 	- Stock investment board game(股壇達人)		<ul style="list-style-type: none"> ➤ Interview family members for the investment bought by the family 	
	3	<ul style="list-style-type: none"> • The concept of risk and return • Risk diversification 			<ul style="list-style-type: none"> ➤ Analysis of the risk of the investment in your family 	
	4	<ul style="list-style-type: none"> • Risks and returns trade-off • Financial instruments - Common investment tools 			<ul style="list-style-type: none"> ➤ Textbook exercise 	
	5-6	<ul style="list-style-type: none"> • 4 Step in Financial planning (With budgeting) • Drafting a financial plan 			<ul style="list-style-type: none"> ➤ Draft a financial plan for one of your family members 	
	7	<ul style="list-style-type: none"> • Rights and responsibilities of an investor • Application of risk diversification and risk-return trade-off 				Using Stock investment board game - Stock Trading Guru(股壇達人)
	8	<ul style="list-style-type: none"> • Features of MPF • Calculation of MPF 			<ul style="list-style-type: none"> ➤ Textbook exercise 	

Lesson Plan

Teaching Topic: Personal Financial Planning and Investment

Total Lesson(s): 1 (35 min)

Students Prior Knowledge:

1. The concept of needs and wants (learnt in junior form)

Teaching Objectives:

After this lesson, students are able to:

1. Explain the importance of personal financial planning at different life stages

Homework:

1. Interview family members for the insurance bought in the family

Intended outcome:

1. Equip the knowledge of planning for one's financial needs
2. Equip the skills of drafting financial plan and making rational investment
3. Cultivate the positive attitude of personal financial planning


Teaching Schedule:

Time Allocation(min.)	Teaching content	Teaching Method	Intended outcome			Teaching materials
			1	2	3	
5	Revision and introduction	<ul style="list-style-type: none"> Revision of needs and wants, using Kahoot as a more inactive way to arouse students' interest 				<ul style="list-style-type: none"> Kahoot
5	Teaching 1	<ul style="list-style-type: none"> Each group list the important events in one's life, then post on white board Teacher introduce different life stages in a life cycle 	✓			<ul style="list-style-type: none"> Textbook PowerPoint Notes
8	Teaching 2	<ul style="list-style-type: none"> Each group responsible for listing the expenditure in one of the life stages, then post on white board Teachers to point out the common expenditure throughout one's life 	✓			<ul style="list-style-type: none"> Textbook PowerPoint Notes Mini whiteboard
10	Consolidation	<ul style="list-style-type: none"> Students list the income and expenditure of themselves and distinguish as needs or wants, then share in class Students list the income and expenditure of their family and distinguish as needs or wants, then share in group 	✓		✓	<ul style="list-style-type: none"> Textbook PowerPoint Notes
5	Conclusion	<ul style="list-style-type: none"> "How do we protect ourselves during emergent situation financially?" as a reflective question 	✓		✓	<ul style="list-style-type: none"> Textbook PowerPoint Notes

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	<ul style="list-style-type: none"> State the common types of insurance 					
2	Homework <ul style="list-style-type: none"> Interview family members for the insurance bought in the family 					
Total: 35						

Question for Kahoot

Distinguish if they are needs or wants	
	
Having rice as lunch	
Needs	Wants



Having buffet as dinner

Needs

Wants



Attending K-pop concert

Needs

Wants



Air

Needs

Wants



Go travelling as entertainment

Needs

Wants

Lesson Plan

Teaching Topic: Personal Financial Planning and Investment

Total Lesson(s): 1 (35 min)

Students Prior Knowledge:

1. Life cycle in financial planning

Teaching Objectives:

After this lesson, students are able to:

1. Explain the need of insurance
2. State the features of different types of insurance

Homework:

1. Interview family members for the investment bought in the family

Intended outcome:

1. Equip the knowledge of planning for one's financial needs
2. Equip the skills of drafting financial plan and making rational investment
3. Cultivate the positive attitude of personal financial planning

Teaching Schedule:

Time Allocation(min.)	Teaching content	Teaching Method	Intended outcome			Teaching materials
			1	2	3	
5	Revision and introduction <ul style="list-style-type: none"> Sharing of last lesson family interview 	<ul style="list-style-type: none"> Group and class sharing 				<ul style="list-style-type: none"> Textbook PowerPoint Notes
5	Teaching 1 <ul style="list-style-type: none"> Importance of saving 	<ul style="list-style-type: none"> Teacher introduce the importance of saving Given the situation of retired people about their income and expenditure as introduction 	✓			<ul style="list-style-type: none"> Textbook PowerPoint Notes
8	Teaching 2 <ul style="list-style-type: none"> Features of different types of insurance 	<ul style="list-style-type: none"> Provide specific situations (travelling, having babies, etc.) to discuss what kind of insurance is needed in group, then share in class Teacher introduce commonly needed insurance 	✓		✓	<ul style="list-style-type: none"> Textbook PowerPoint Notes
10	Consolidation <ul style="list-style-type: none"> Match the insurance needed in different life stages 	<ul style="list-style-type: none"> Each group responsible for listing the insurance needed in one of the life stages, then post on white board Students point out the common insurance throughout one's life 	✓	✓	✓	<ul style="list-style-type: none"> Textbook PowerPoint Notes Mini whiteboard
5	Conclusion <ul style="list-style-type: none"> The need of insurance 	<ul style="list-style-type: none"> Which type of insurance is needed at their current stage of life? Teacher mention insurance should be 	✓	✓	✓	<ul style="list-style-type: none"> Textbook PowerPoint Notes

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		bought as early as possible				
2	Homework <ul style="list-style-type: none"> • Interview family members for the investment bought in the family 					
Total: 35						

Lesson Plan

Teaching Topic: Personal Financial Planning and Investment

Total Lesson(s): 1 (35 min)

Students Prior Knowledge:

1. Financial instruments - Common types of insurance

Teaching Objectives:

After this lesson, students are able to:

1. Explain what risk and return are and their relationship
2. Describe the risk-return trade-offs of different investment products

Homework:

1. Analysis of the risk of the investment in your family

Intended outcome:

1. Equip the knowledge of planning for one's financial needs
2. Equip the skills of drafting financial plan and making rational investment
3. Cultivate the positive attitude of personal financial planning

Teaching Schedule:

Time Allocation(min.)	Teaching content	Teaching Method	Intended outcome			Teaching materials
			1	2	3	
5	Revision and introduction <ul style="list-style-type: none"> Sharing of last lesson family interview 	<ul style="list-style-type: none"> Group and class sharing 				<ul style="list-style-type: none"> Textbook PowerPoint Notes
8	Teaching 1 <ul style="list-style-type: none"> What is risk and return 	<ul style="list-style-type: none"> Teacher to introduce the definition of risk and return and the two types of risk Showing different situation for students to distinguish market risk and firm-specific risk by Kahoot 	✓			<ul style="list-style-type: none"> Textbook PowerPoint Notes Kahoot
10	Teaching 2 <ul style="list-style-type: none"> Risk-return trade-off 	<ul style="list-style-type: none"> Showing the drawbacks of making low risk investment by young people and high risk investment by elderlies Discuss and match the risk-return trade-off of different family members with explanation in group 	✓	✓	✓	<ul style="list-style-type: none"> Textbook PowerPoint Notes
8	Consolidation <ul style="list-style-type: none"> Match the risk-return trade-off with life cycle 	<ul style="list-style-type: none"> Discuss the risk-return trade-off in difference life stages in group, then share in class 		✓	✓	<ul style="list-style-type: none"> Textbook PowerPoint Notes Mini whiteboard
2	Conclusion <ul style="list-style-type: none"> Importance of identifying risk 	<ul style="list-style-type: none"> Teacher mention the choice of investment should be made on one's risk tolerance level 		✓	✓	<ul style="list-style-type: none"> Textbook PowerPoint Notes

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	tolerance level before making investment					
2	Homework <ul style="list-style-type: none"> Analysis of the risk of the investment in your family 					
Total: 35						

Question for Kahoot

Distinguish the follow events are market risk or firm-specific risk	
1. Global economic recession	
Market risk	Firm-specific risk
2. Government tightens the policies on property market	
Market risk	Firm-specific risk
3. Flu outbreak all over the world	
Market risk	Firm-specific risk
4. The company record a loss for the first time in ten years	
Market risk	Firm-specific risk
5. Half of the employees quit the company in a week	
Market risk	Firm-specific risk

Lesson Plan

Teaching Topic: Personal Financial Planning and Investment

Total Lesson(s): 1 (35 min)

Students Prior Knowledge:

1. Choose suitable financial instruments according to their risk tolerance level

Teaching Objectives:

After this lesson, students are able to:

1. State the features of common financial instrument – investment products
2. Diversify the risk in an investment portfolio

Homework:

1. Textbook assignment

Intended outcome:

1. Equip the knowledge of planning for one's financial needs
2. Equip the skills of drafting financial plan and making rational investment
3. Cultivate the positive attitude of personal financial planning

Teaching Schedule:

Time Allocation(min.)	Teaching content	Teaching Method	Intended outcome			Teaching materials
			1	2	3	
5	Revision and introduction <ul style="list-style-type: none"> Sharing of last lesson family interview 	<ul style="list-style-type: none"> Group and class sharing 				<ul style="list-style-type: none"> Textbook PowerPoint Notes
10	Teaching 1 <ul style="list-style-type: none"> Features of common financial instrument – investment products 	<ul style="list-style-type: none"> Brainstorm investment products in group and rank according to the level of risk Teacher introduce the details of the investment tools brainstormed by students 	✓			<ul style="list-style-type: none"> Textbook PowerPoint Notes
8	Teaching 2 <ul style="list-style-type: none"> Risk diversification in investment portfolio 	<ul style="list-style-type: none"> Students discuss what if the investment portfolio comprised of high risk or low risk investment tools only, then share in class 		✓	✓	<ul style="list-style-type: none"> Textbook PowerPoint Notes Mini whiteboard
5	Consolidation <ul style="list-style-type: none"> Comment on family investment portfolio 	<ul style="list-style-type: none"> Students comment on their family investment portfolio in 1. Choice of investment products by risk-return trade-off 2. Proportion of the investment products, then share in group and class 		✓	✓	<ul style="list-style-type: none"> Textbook PowerPoint Notes
5	Conclusion <ul style="list-style-type: none"> Importance of achieving risk 	<ul style="list-style-type: none"> Showing different investment portfolios to check students' understanding of risk diversification by 	✓	✓	✓	<ul style="list-style-type: none"> Textbook PowerPoint Notes

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	diversification	using Kahoot				• Kahoot
2	Homework • Textbook exercise					
Total: 35						

Question for Kahoot

Comment if the following investment portfolios are well constructed	
1. Invest in stocks only	
Yes	No
2. Invest in bank deposit only	
Yes	No
3. A 45-year-old teacher put half of his investment into mutual fund, 30% into stocks and 20% into bank deposit	
Yes	No
4. A 58-year-old bus driver put 70% of his investment into bank deposit, 25% into iBond and 5% into stocks	
Yes	No
5. A fresh graduate put half of his investment into bank deposit, 40% into mutual fund and 10% into stocks	
Yes	No

Lesson Plan

Teaching Topic: Personal Financial Planning and Investment

Total Lesson(s): 2 (70 min)

Students Prior Knowledge:

1. Choose suitable financial instruments according to their risk tolerance level and achieve risk diversification

Teaching Objectives:

After this lesson, students are able to:

1. Draft a financial plan for people in different life stages

Homework:

1. Draft a financial plan for your family

Intended outcome:

1. Equip the knowledge of planning for one's financial needs
2. Equip the skills of drafting financial plan and making rational investment
3. Cultivate the positive attitude of personal financial planning

Teaching Schedule:

Time Allocation(min.)	Teaching content	Teaching Method	Intended outcome			Teaching materials
			1	2	3	
5	Revision and introduction <ul style="list-style-type: none"> 	<ul style="list-style-type: none"> What is your (financial) planning in coming year? (Saving, consumption, etc.) Share in group, then in class 				<ul style="list-style-type: none"> Textbook PowerPoint Notes
10	Teaching 1 <ul style="list-style-type: none"> Components in financial planning 	<ul style="list-style-type: none"> Students discuss what should be planned besides insurance and investment in a financial plan, then share in class 	✓	✓		<ul style="list-style-type: none"> Textbook PowerPoint Notes
10	Teaching 2 <ul style="list-style-type: none"> Structure and demonstration of a financial plan 	<ul style="list-style-type: none"> Teacher demonstrate drafting a financial plan for himself including 1. Identify financial goals 2. Analyse current saving and spending habit 3. Insurance should be bought for protection 4. Investment should be bought for generating revenue (it is more interesting and attractive to students that using ourselves as example) 	✓	✓	✓	<ul style="list-style-type: none"> Textbook PowerPoint Notes
35	Consolidation <ul style="list-style-type: none"> Drafting financial plan for different life stages 	<ul style="list-style-type: none"> Teacher introduce the 5 cases which are in different life stages respectively Each group draft a financial plan for one of the life stages, then share in group and show by visualiser 	✓	✓	✓	<ul style="list-style-type: none"> Textbook PowerPoint Notes

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		<ul style="list-style-type: none"> Other groups give comment on the financial plan 				
5	Conclusion <ul style="list-style-type: none"> Importance of drafting a financial plan 	<ul style="list-style-type: none"> Teacher showing the advantages of preparing a financial plan and the mistakes could be avoided 	✓		✓	<ul style="list-style-type: none"> Textbook PowerPoint Notes
5	Homework <ul style="list-style-type: none"> Draft a financial plan for your family 					
Total: 70						

Lesson Plan

Teaching Topic: Personal Financial Planning and Investment

Total Lesson(s): 1 (35 min)

Students Prior Knowledge:

1. Draft a financial plan based on analysing one's financial background, risk tolerance level then helps him to buy suitable insurance and investment products

Teaching Objectives:

After this lesson, students are able to:

1. Explain the rights and responsibilities of an investor

Homework:

1. Check the information of Social welfare for the elderly (Amount and application criteria) of 1. Old Age Allowance (fruit money) and 2. Comprehensive Social Security Assistance Scheme

Intended outcome:

1. Equip the knowledge of planning for one's financial needs
2. Equip the skills of drafting financial plan and making rational investment
3. Cultivate the positive attitude of personal financial planning

Teaching Schedule:

Time Allocation(min.)	Teaching content	Teaching Method	Intended outcome			Teaching materials
			1	2	3	
5	Revision and introduction <ul style="list-style-type: none"> Risk management strategies on investment 	<ul style="list-style-type: none"> Asking students questions to recall their memories 				<ul style="list-style-type: none"> Textbook PowerPoint Notes
10	Teaching 1 <ul style="list-style-type: none"> Investors' rights and responsibilities 	<ul style="list-style-type: none"> Showing different items for students to decide if they are the rights and responsibilities of an investor by using Kahoot 	✓			<ul style="list-style-type: none"> Textbook PowerPoint Notes Kahoot
20	Consolidation <ul style="list-style-type: none"> Application of the risk management strategies on investment 	<ul style="list-style-type: none"> Group board game time 		✓	✓	<ul style="list-style-type: none"> Stock trading board game(股壇達人)
3	Conclusion <ul style="list-style-type: none"> 2 types of risk in investment Achieving risk diversification 	<ul style="list-style-type: none"> Reviewing the event card and discuss with students 	✓	✓	✓	<ul style="list-style-type: none"> Textbook PowerPoint Notes
2	Homework <ul style="list-style-type: none"> Check the information of Social welfare for the elderly (Amount 					

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	and application criteria) of 1. Old Age Allowance (fruit money) and 2. Comprehensive Social Security Assistance Scheme					
Total: 35						

Question for Kahoot

Determine if the following situations are the rights or responsibilities of an investor	
1. Giving clear instructions to broker	
Rights	Responsibilities
2. Checking transactions on account regularly	
Rights	Responsibilities
3. Seeking clarification behind the recommendations from broker	
Rights	Responsibilities
4. Understand the features of the financial products before making investment	
Rights	Responsibilities
5. Receiving compensation if being misled by broker	
Rights	Responsibilities

Lesson Plan

Teaching Topic: Personal Financial Planning and Investment

Total Lesson(s): 1 (35 min)

Students Prior Knowledge:

1. Rights and responsibilities of an investor

Teaching Objectives:

After this lesson, students are able to:

1. Explain the features of MPF
2. Calculate the MPF contribution

Homework:

1. Textbook exercise

Intended outcome:

1. Equip the knowledge of planning for one's financial needs
2. Equip the skills of drafting financial plan and making rational investment
3. Cultivate the positive attitude of personal financial planning

Teaching Schedule:

Time Allocation(min.)	Teaching content	Teaching Method	Intended outcome			Teaching materials
			1	2	3	
5	Revision and introduction <ul style="list-style-type: none"> Sharing of the information of Social welfare for the elderly 	<ul style="list-style-type: none"> Group and class sharing 				<ul style="list-style-type: none"> Textbook PowerPoint Notes
10	Teaching 1 <ul style="list-style-type: none"> Features of MPF 	<ul style="list-style-type: none"> Point out the income after retirement to raise students' concern Students discuss how much money do they spent each month and save for retirement, then share in class 	✓		✓	<ul style="list-style-type: none"> Textbook PowerPoint Notes
7	Teaching 2 <ul style="list-style-type: none"> Calculate MPF contribution 	<ul style="list-style-type: none"> Showing relevant income for calculation of MPF contribution 	✓			<ul style="list-style-type: none"> Textbook PowerPoint Notes
5	Consolidation <ul style="list-style-type: none"> Examples for calculation of MPF contribution 	<ul style="list-style-type: none"> Examples for students to discuss the MPF contribution in group 	✓	✓	✓	<ul style="list-style-type: none"> Textbook PowerPoint Notes
3	Conclusion <ul style="list-style-type: none"> Drawbacks of MPF 	<ul style="list-style-type: none"> Teacher mention the MPF cannot be withdraw before age 65 Students have reflection on one's life during age 60-64 without constant income source 	✓		✓	<ul style="list-style-type: none"> Textbook PowerPoint Notes MPF booklet

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5	Homework <ul style="list-style-type: none">• Textbook exercise					
Total: 35						

Unit 3: Personal Financial Planning and Investment

Learning objectives:

1. Explain the importance of personal financial planning at different life stages
2. State the features of different common financial instruments
3. Explain the relationship between risk and return with suitable risk management strategy
4. Draft a financial plan for different life stages
5. Describe employees' rights and responsibilities under the Mandatory Provident Fund System
6. Describe the rights and responsibilities of individual investors and consumers of financial services

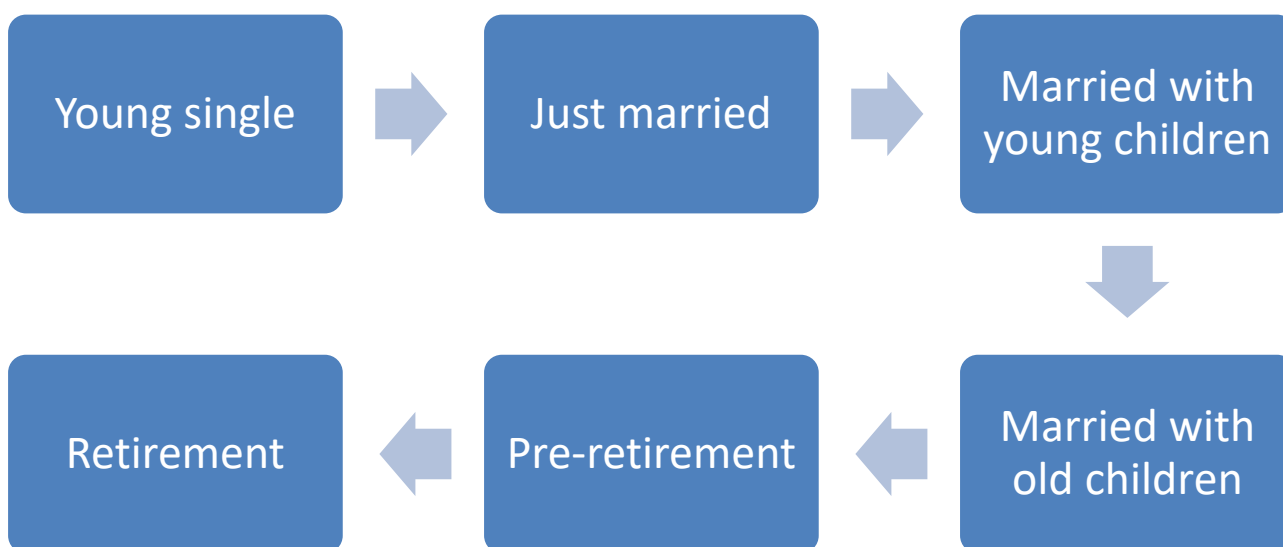
1. Personal financial planning using the life-cycle approach

Personal financial planning is the process of evaluating all aspects of an individual's financial needs to achieve his financial goals.

1.1 Life-cycle (P.73)

Discussion: List the important events in one's life:

Life-cycle is the combination of different life stages in one's life.



Basic of Personal Financial Management Unit 3: Personal Financial Planning and Investment

1.2 Financial needs of different life stages (P.74)

Life Stages	Financial needs
Young single	
Just married	
Married with young children	
Married with older children	
Pre-retirement	
Retirement	

Self-reflection: What are your income and expenditure in the last month?

Income	Expenditure		
Items	Items	Needs?	Wants?

Assignment: Do you know your family well? Interview your parents for the income and expenditure of your family and the insurance they buy.

Income	Expenditure		
Items	Items	Needs?	Wants?
Insurance of your family:			

2. Insurance for protection

Self-reflection: How do you maintain your living standard after retirement?

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2.1 Saving

Saving is a method to store the fruits of our labour in good times so that we may calmly handle adversities when they come. It helps with coping with unexpected changes, achieving future goals and preparing for retirement.

2.2 Types of insurance

How do we protect ourselves by insurance in the following situations?

Situation	Insurance
Travelling	
Having babies (prepare for future expenses)	
Save for critical illness	

There are different types of insurance, and the followings are the most common examples:

Insurance	Function	Targeted clients
Life insurance	Life insurance is a contract between an insurance policy holder and an insurer, where the insurer promises to pay a designated beneficiary a sum of money (the "benefits") upon the death of the insured person.	Everyone (especially for being employed)
Critical illness	Critical illness insurance or critical illness cover is an insurance product, where the insurer is contracted to typically make a lump sum cash payment if the policyholder is diagnosed with one of the critical illnesses listed in the insurance policy.	
Medical Care	Medical Care insurance is insurance against the risk of incurring medical expenses among individuals	
Education Fund	Education Fund is an insurance product, where the insurer can save money for the child education expenditure in the future.	
Travel	Travel insurance is insurance that is intended to cover medical expenses, financial default of travel suppliers, and other losses incurred while travelling, either within one's own country.	

Basic of Personal Financial Management Unit 3: Personal Financial Planning and Investment

Discussion: What kind of insurance in different life stages?

Life Stages	Insurance needed
Young single	
Just married	
Married with young children	
Married with older children	
Pre-retirement	
Retirement	

Self-reflection: What kind of insurance do you need at your age?

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Assignment: Do you know your family's income except for salary? Interview your parents for the investment they make to generate income.

Methods (Investment)	Proportion	Reason

3. Risk and return

3.1 What is risk and return? (P.57)

Risk is the uncertainty of an outcome.

Return (on investment) is the ratio of money gained or lost on an investment relative to the money invested.

Discussion: Why do we do not like taking risk?

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3.2 Types of risk (P.59)

Difference	Firm-specific risk	Market risk
Effect	It is the risk that is specific to a firm	It is the risk from the overall financial market
Can be diversified in overall investment?	Yes	No
Examples of cause	Strike/ bankruptcy/ government policies on specific industry	Changes in the general economy/ Major political events

3.3 Risk-return trade-off (P.60)

It means that if an investor wants to earn higher returns, he has to bear a greater risk.

Discuss the following situations and its potential problem:

Life stage	Risk in investment portfolio	Potential problem
Young single	Mainly low-risk investment tools	
Retirement	Mainly high-risk investment tools	

We should make investment choices according to risk-return trade-off and risk tolerance level

Risk tolerance level is an indicator of the level of investment risk an investor is willing to assume

Investor's risk tolerance level	Action
Highly risk averse	
Does not mind taking an acceptable level of risk	
Willing to accept high level of risk	

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Points to note when considering own risk-return trade-off:

1. High risk, high return
 - Risk and return are positively related in the long-term
2. High risk may also lead to a huge loss
 - Risky investment products can produce a high actual return, but also lead to huge losses
3. No risk, no return
 - Taking calculated and acceptable risks is a very important part of the financial decision-making process

Discussion: Risk-return trade-off at different life stages

Life Stages	Risk-return trade-off
Young single	
Just married	
Married with young children	
Married with older children	
Pre-retirement	
Retirement	

Assignment: Analyse the risk of the investment in your family.

Investment	Risk

4. Risk diversification when investing in different financial products

Discussion: Rank the investment made by your family according to the level of risk

Highest risk	Lowest risk

4.1 Common financial instrument: (P.64)

Financial instrument	Definition	Risk and return
Common Stocks	The common stockholders of a company have voting rights in important decisions made by the company and the right to receive dividends if declared.	
Bonds	The long-term debts issued by government and companies. The bond-issuing institution has to pay back the principal to the bondholders on the due date.	
Mutual fund	Mutual operate by pooling funds from investors and investing the money in different securities.	
Gold & Silver	Of all the precious metals, gold is the most popular as an investment.	
Futures	These are standardised forward contracts that demand delivery of an asset (or cash value) at a specific date and price.	
Time deposit	Time Deposits is a money deposit at a banking institution that cannot be withdrawn for a certain "term" or period. When the term is over it can be withdrawn. Generally speaking, the longer the term, the better the yield on the money.	

Discussion: What if an investment portfolio comprises of high risk or low-risk financial instrument only?

Refer to P.4 of the notes, comment on your family investment portfolio in 1. Choice of investment products by risk-return trade-off 2. The proportion of the investment products

Choice of investment products by risk-return trade-off		The proportion of the investment products
Financial instrument	Suitable?	There is too much _____ risk/ balanced financial instrument. This is because _____

5. **Drafting financial plan**

Self-reflection: What is your (financial) planning in the coming year?

5.1 Important reminders when making investment

1. Estimate the investment horizon

- An investment horizon is the length of time that you invest to achieve an investment objective. It affects an investor's choice of financial products.
- _____ (10 years or more)
- _____ (5-9 years)
- _____ (1-5 years)
- The choice of financial products depends on the investment horizon, which in turn depends on an individual's investment objectives.

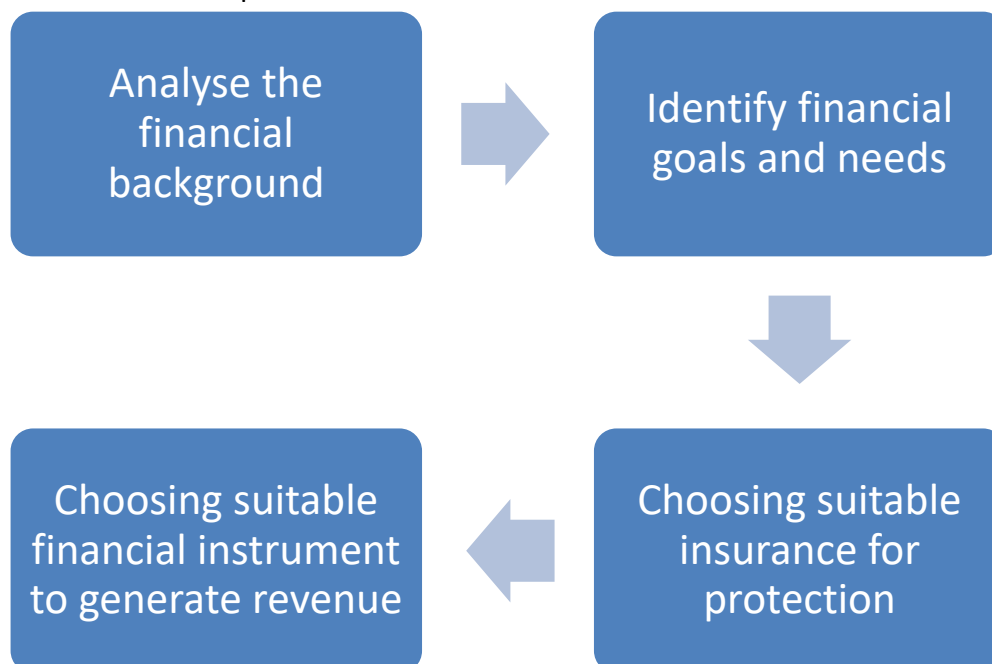
2. Evaluate the risk tolerance level

- Risk tolerance level is an indicator of the level of investment risk an investor is willing to assume.
- One's risk tolerance level is a major factor determining the optimal level of risk-return trade-off for the investor and hence the types of financial products used

3. Risk diversification in financial plan

- Risk diversification is the strategy used to reduce the risk of investment through a proper mix of high and low-risk securities.

5.2 Structure of financial plan



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Exhibit: Financial plan for Mr. Lam

Background: Mr. Lam is a 30-year-old teacher, earning a monthly income of \$40,000. He plans to get married in two years and having children in five years. He contributes 20% and 25% of his income to his family and saving respectively. He plans to buy a flat after his marriage.

Life stage			
Financial goals and needs	Short-term		
	Mid-term		
	Long-term		
Income and expenditure	Income		Expenditure
Saving			
Insurance	Name	Reason	
Investment (Based on Mr. Lam's investment horizon and risk tolerance level)	Risk tolerance level		
	Name	Level of risk	Reason

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A more complicated exhibit: Financial plan for Mandy

Background: Mandy is a mother of two children, one is three years old, and the other is five years old. She is the human resources manager at a small company. Her husband died in a traffic accident last year. Mandy earns a monthly income of \$25,000 which covers the family expenses. To save for the children's educational expenses, Mandy is considering using her husband's estate, \$500,000 to invest in one of the following financial products for 10 years:

	Mutual funds	Stock of an SME	Government bonds
Expected annual rate of return	8%	15%	3%
Risk (standard deviation)	5%	32%	1%

Life stage			
Financial goals and needs	Short-term		
	Mid-term		
	Long-term		
Income and expenditure	Income		Expenditure
Saving			
Insurance	Name	Reason	
Investment (Based on Mandy's investment horizon and risk tolerance level)	Risk tolerance level		
	Name	Level of risk	Reason

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Hints on analysing the investment horizon and risk tolerance level for Mr. Lam

The structure of answering a question:

1. Response to the question
- +
2. Definition of concept / Key point of the term
- +
3. Explanation

For risk tolerance level

Response to the question: She has a low risk tolerance level.

Definition of the concept: Risk tolerance level is _____

Explanation: _____

c) Based on Mandy's background and the nature of the financial product, suggest suitable financial product and insurance for her.

Discussion: Financial plan for different life stages

Case 1 - Ivan is an accounting manager in a large accounting company He earns \$20,000 per month. He planned to marry Lily. He estimates that he will need \$200,000 for the down payment. His wife also has a stable job, and her salary is \$10,000.

Case 2 - Ben is 40 years old and a civil servant with \$80,000 salary per month. He is married with 15 years old son. He plans to send his son to study overseas after DSE, and his wife is a full-time housewife. They have an apartment with monthly mortgage repayment of \$21,000 and pay \$10,000 to parent each month.

Case 3 – Joseph is 65 years old. He plans to retire. He is a composer. His son and daughter have their own family. He lives with his wife a domestic helper.

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Case 4 – Chris is 70 years old. He already retired. He would like to have a fixed amount of income \$6,000 regularly to maintain his present living standard. He has 3 million cash at bank.

Case 5 – John got married 7 years ago and had a 2 years old daughter. He would like to send her daughter to international kindergarten next year. The school fee is \$100,000 per year.

Life stage			
Financial goals and needs	Short-term		
	Mid-term		
	Long-term		
Income and expenditure	Income		Expenditure
Saving			
Insurance	Name	Reason	
Investment	Risk tolerance level		
	Name	Level of risk	Reason

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5.3 Importance of personal financial planning (P.70)

1. Achieve financial goals in life
 - It helps to set realistic financial goals and to achieve by following a workable plan
2. Avoid financial mistakes
 - It avoids overspending and misusing consumer credit
3. Maintain living standards
 - It helps prevent decline especially when the income level is low and after retirement

Assignment: Draft a financial plan for your parents for a short-term goal.

Life stage			
Financial goals and needs			
Income and expenditure	Income	Expenditure	
Saving			
Insurance	Name	Reason	
Investment (Based on your parents' investment horizon and risk tolerance level)	Risk tolerance level		
	Name	Level of risk	Reason

6. Investors' rights and responsibilities (P.79)

Rights	Responsibilities
1. To be informed of the licence status of services providers	1. Do not allow others to trade on their accounts
2. To receive transactions documents and to ask for clarification of all documents that they sign	2. To monitor their investment account by reading transaction documents and account statements
3. To seek clarification about the rationale behind the recommendations of the broker or financial planner	3. To understand the features, risk and return characteristics of the investment products
4. To complain in case, their investment are mishandled by financial institutions or intermediaries	4. To give clear instructions to their broker or financial planner when placing an order

Assignment: Check the information on Social welfare for the elderly.

	Old Age Allowance (fruit money)	Comprehensive Social Security Assistance Scheme
Amount		
Application criteria		

7. Features and calculation of Mandatory Provident Fund (MPF) System

Discussion: How do we maintain our living standard after retirement?

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7.1 People who need to make MPF contribution (P.82)

1. All employees and self-employed persons aged 18 to 65
2. Being employed for a continuous period of not less than 60 days
3. Both employer and employee have to make a contribution based on employee's relevant income each month
 - Relevant income includes: wages, salaries, bonuses, commission, housing allowance
 - If relevant income less than \$7,100, only the employer has to make the contribution

7.2 Calculation of MPF

- Mandatory contribution is 5% of the employee's relevant monthly income, and

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- A maximum relevant monthly income of \$30,000

7.3 Features of MPF

Employers	Employees
<ul style="list-style-type: none"> · Both employer and employee can opt to make voluntary contributions 	
<ul style="list-style-type: none"> · Required to control their employees in an MPF scheme 	<ul style="list-style-type: none"> · Can choose funds provided under the scheme
	<ul style="list-style-type: none"> · Can opt to transfer their portion of contributions and investment returns to another MPF trustee and scheme of their choice once every calendar year
	<ul style="list-style-type: none"> · Accrued benefits can only be withdrawn as a lump sum at age 65

Exhibit: Financial plan for Mr. Lam

Background: Mr. Lam is a 30-year-old teacher, earning a monthly income of \$40,000. He plans to get married in two years and having children in five years. He contributes 20% and 25% of his income to his family and saving respectively. He plans to buy a flat after his marriage.

Life stage			
Financial goals and needs	Short-term	Saving for marriage	
	Mid-term	Saving for down payment/maternity fee	
	Long-term	Saving for children education fund/retirement	
Income and expenditure	Income		Expenditure
	Monthly salary of \$40,000		Contribution to family Travelling Entertainment
Saving	\$10,000 each month		
Insurance	Name	Reason	
	Life insurance	To provide protection upon the death in accident	
	Critical illness insurance	To provide protection for incapacity result from critical illness	
	Medical care insurance	To cover the medical fee	
Children education fund	To cover his children education expenditure		
Investment (Based on Mr. Lam's investment horizon and risk tolerance level)	Risk tolerance level		
	Name	Level of risk	Reason
	Stocks	High	To generate more income for his expenditure in marriage.
	Bonds	Medium	To provide fixed and higher return compare with time.
	Mutual fund	Medium	To diversify the risk and provide return from different financial products.
Time deposit	Low	To provide fixed return and low risk investment.	



A more complicated exhibit: Financial plan for Mandy

Background: Mandy is a mother of two children, one is three years old, and the other is five years old. She is the human resources manager at a small company. Her husband died in a traffic accident last year. Mandy earns a monthly income of \$25,000 which covers the family expenses. To save for the children's educational expenses, Mandy is considering using her husband's estate, \$500,000 to invest in one of the following financial products for 10 years:

	Mutual funds	Stock of an SME	Government bonds
Expected annual rate of return	8%	15%	3%
Risk (standard deviation)	5%	32%	1%

Life stage	Married with young children		
Financial goals and needs	Short-term	Saving for children education fund	
	Mid-term	Saving for children education fund	
	Long-term	Saving for retirement.	
Income and expenditure	Income		Expenditure
	Monthly salary of \$25,000		Contribution to family Travelling Entertainment
Saving	MFL		
Insurance	Name	Reason	
	Life insurance	To provide protection upon the death in accident.	
	Critical illness insurance	To provide protection for incapacity result from critical illness	
	Medical care insurance	To cover the medical fee	
Investment (Based on Mandy's investment horizon and risk tolerance level)	Risk tolerance level		
	Name	Level of risk	Reason
	Bonds	Medium	To provide fixed and higher return compare with time deposit.
	Mutual fund	Medium	To diversify the risk and provide return from different financial products.
Time deposit	Low	To provide fixed return and low risk investment.	
She is the only income source of her family and she doesn't have any saving. She couldn't afford high investment risk. But she still needs more money for huge expenditure of her children. She needs both medium and low risk financial products.			

Hints on analysing the investment horizon and risk tolerance level for Mr. Lam

The structure of answering a question:

1. Response to the question
- +
2. Definition of concept / Key point of the term
- +
3. Explanation



For risk tolerance level

Response to the question: She has a low risk tolerance level.

Definition of the concept: Risk tolerance level is medium.

Explanation: She is the only income source of her family and she doesn't have any saving.

She couldn't afford high investment risk. But she still needs money for huge expenditure or her children.

c) Based on Mandy's background and the nature of the financial product, suggest suitable financial product and insurance for her.

She should buy the Children education fund because it can be used to cover her children education expenditure. She should also buy bonds as it provides fixed and higher return.

Discussion: Financial plan for different life stages

Case 1 - Ivan is an accounting manager in a large accounting company He earns \$20,000 per month. He planned to marry Lily. He estimates that he will need \$200,000 for the down payment. His wife also has a stable job, and her salary is \$10,000.

Case 2 - Ben is 40 years old and a civil servant with \$80,000 salary per month. He is married with 15 years old son. He plans to send his son to study overseas after DSE, and his wife is a full-time housewife. They have an apartment with monthly mortgage repayment of \$21,000 and pay \$10,000 to parent each month.

Case 3 – Joseph is 65 years old. He plans to retire. He is a composer. His son and daughter have their own family. He lives with his wife a domestic helper.



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Case 4 – Chris is 70 years old. He already retired. He would like to have a fixed amount of income \$6,000 regularly to maintain his present living standard. He has 3 million cash at bank.

Case 5 – John got married 7 years ago and had a 2 years old daughter. He would like to send her daughter to international kindergarten next year. The school fee is \$100,000 per year.

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Life stage	Retirement		
Financial goals and needs	Short-term	Saving for medical expenses	
	Mid-term	Saving for estate planning	
	Long-term	Saving for maintain desired lifestyle	
Income and expenditure	Income		Expenditure
	Fixed amount of income \$6000 regularly		Maintain present living standard
Saving	3 million cash at bank		
Insurance	Name	Reason	
	Life Insurance	To provide protection upon the death in accident	
	Critical illness insurance	To provide protection for incapacity result from critical illness	
	Medical care insurance	To cover the medical fee	
Investment	Risk tolerance level		
	Name	Level of risk	Reason
	Bonds	Medium	To provide fixed and higher return compare with time deposit.
	Mutual fund	Medium	To diversify the risk and provide from different financial products
	Time deposit	Low	To provide fixed return and low risk investment

