

INVESTING FUNDAMENTALS

Risk, Return, and Time Horizon

Detailed practice, calculation, decision-making, and assessment

GRADES 9-12	TIME 2 x 42 min	GROUPING I / pairs / whole	PRODUCT Investment goal recommendation
YOUR CHALLENGE Compare possible gains and losses, connect a goal to its time horizon, and explain why a higher possible return usually comes with more uncertainty.			

Risk and Return Work Together

Return is the gain or loss on money invested. Risk is uncertainty about the result, including the chance of losing money. Investments with more growth potential often have larger price changes. No investment return is guaranteed.

Term	Student-friendly meaning
Return	The gain or loss on an investment.
Risk	Uncertainty about the result and the chance of loss.
Time horizon	How long until the money is needed.
Risk tolerance	How much loss or price movement a person can accept.
Liquidity	How easily an investment can be turned into cash.
Total return	Change in value plus income received.
IMPORTANT This activity uses fictional investments and simplified annual results. It teaches a decision process; it does not recommend a real investment.	

Part 1 - Calculate Three Returns

Option	Starting value	Ending value	Income	Total gain	Percent return
Cash option	\$1,000	\$1,025	\$0		
Bond fund	\$1,000	\$1,040	\$30		
Stock index fund	\$1,000	\$1,090	\$15		

Use: total gain = ending value - starting value + income. Percent return = total gain / starting value x 100. Show each calculation.

Part 2 - Test a Difficult Year

Option	Starting value	One-year result	Dollar gain or loss	Ending value
Cash option	\$1,000	+2%		
Bond fund	\$1,000	-4%		
Stock index fund	\$1,000	-18%		

Which option changes the least? Which loses the most? Explain why the best result in Part 1 does not prove that the same option will lead every year.

Part 3 - Match Goals and Time Horizons

Goal	Amount	Time horizon	Important fact	Risk concern
Replace a laptop	\$900	12 months	Money must be ready on time.	
Career training	\$4,000	5 years	Some flexibility, but the date matters.	
Retirement	Long-term goal	40 years	Many years before withdrawals begin.	

For each goal, decide whether protecting the money, balancing growth and stability, or seeking long-term growth should receive the most attention. Explain without naming a specific product.

Part 4 - Read Three Investor Profiles

Investor	Facts	Time horizon	Ability to handle loss	Key question
Ari	Needs tuition money in 18 months. A loss could delay enrollment.			
Sam	Has an eight-year goal and could wait one extra year if markets fall.			
Jordan	Has a 35-year goal, steady income, and accepts temporary declines.			

Rank the profiles from lowest to highest ability to accept market risk. Use time horizon, need for the money, and flexibility as evidence.

Part 5 - Make an Evidence-Based Recommendation

Decision check	My evidence
Goal and deadline	
Time horizon	
Need for liquidity	
Possible gain	
Possible loss	
Ability to delay the goal	
Risk level that fits	
Fact still needing research	

Write a 150-200 word recommendation for one profile. Include one return calculation, one difficult-year result, the time horizon, a risk tradeoff, and a reminder that returns are not guaranteed.