

- You're going to be financial advisers, working in pairs.
- Your teacher will allocate you one of the three client profiles below.
- Your client has put aside £2,000 to invest for the future.
- It's your role to choose an appropriate investment strategy for your client who is looking to grow their money over a 10-year period.

## The clients



**Zara**

Low Risk

Zara is a partner at a small law firm. She has a partner and two children. She has a high paying salary and lots of savings as she started a savings account when she was 18, working as a waitress. She is looking to invest some of her income in order to make a return allowing her to pay off her mortgage in her 40s.



**Karim**

Medium Risk

Karim has a family of three kids and cares for his father who is unwell. He works as a director at a child's rights charity so has a steady income and a good pension plan which will support him in the future when he gets to retirement (leaves work). He is looking for his investment income to help him support his children with university or living costs when they leave school.



**Lucy**

High Risk

Lucy is in her late 30s. She is a consultant with lots of finance and retail clients, like banks, big beauty and fashion brands. She has no dependents (nobody relying on her) and owns her apartment in a city, and has a steady plan to pay off her mortgage.

### Stage 1: Risk profiles

Read through your profile, underlining or highlighting key words.

Choose an appropriate risk profile for your client: low, medium or high (circle your risk level below)

Low

Medium

High

# Key risks and investment choices

Client name:

Risk level:

## Stage 2: Investment risks

Complete the 'Key Risks' column in Table 1, matching the key risks below to the different investment options

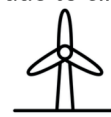
Table 1

	Name	Asset type	Risk level	Key Risks
1	UK Government bonds	Bonds	Very low	(D) Affected by inflation and interest rate changes
2	Coolify - digital asset	Digital asset	High	
3	Shares in Swiftness	UK sports retailer with international customers, individual company stock	Medium-High	
4	Index tracker following the FTSE 100 (the top UK 100 companies)	Tracker of stocks	Low	
5	PrimeEstate	Real estate	Medium	
6	Shares in SuperBuy Supermarket	Individual established company stock	Medium	
7	Shares in Turbine	High tech wind power stock	High	
8	Shares in FlyFreedom	Commercial airline company individual stock	Medium-High	

Table 2

Key Risks		
(A) Less affected by consumer demand changing as people always need to buy food.	(B) Risk of technology failing or not working makes it a high risk investment.	(C) It's a speculative and volatile investment, which is hard to value precisely
(D) Affected by inflation and interest rate changes	(E) Consumer spending and confidence are risks. (The cost of raw materials and supply chains are additional risks)	(F) Air travel is hard to predict as shocks like a global virus or terrorist attacks can have a big impact.
(G) Affected by whether demand for housing, offices or shop buildings is weak or strong. It's difficult to sell quickly (illiquid)	(H) Overall economic conditions (ie economic growth) will affect the value but, being an index tracker, it's better diversified compared to individual stocks	

\*These are illustrative examples and the associated risks will change over time due to circumstances.



# Investment portfolio

## Stage 3: Rules of the game - allocating the money

Distribute the £2,000 into the different investment opportunities, according to the risk profile of your client. Use Table 1 to help you do this: you may play around with the numbers so it's a good chance to test these in Table 1 before inputting your final version into Table 2 below.

### Rules of the game

1. You must invest in a minimum of 4 assets to have some diversification and you can choose to invest in all asset options.
2. You need to invest a minimum of £100 per investment.
3. You will need to pay a flat fee of £50 to make these transactions. Take this off the £2,000 you have to invest!

Table 2									Total value of investments
Investment opportunities	UK government bonds	Coolify: digital currency	Swiftness: High performance sports retail company	Index tracker following the FTSE 100	PrimeEstate: Real estate company	SuperBuy: Supermarket	Turbine: Wind power company	FlyFreedom: Commercial airline company	£2,000
Initial investment distribution after fees									(-£50 transaction fee)
Year 1				x 1.1					
Year 2					x 1.1				
Year 3			x 1.1	x 1.2		x 1.1		x 1.1	
Year 4		x 0.6							
Year 5			x 0.9						
Year 6	x 1.1								
Year 7			x 1.1						
Year 8				x 0.95				x 0.8	
Year 9							x 0.25		
Year 10			x 0.95	x 0.95				x 0.95	
Final Amount									
Amount made/lost									

## Maths moment | Percentage change recap

1. £100 increased by 10%

**Method 1:**  $£100 \times 1.10 = £110$

**Method 2:** Find 10% which is  $0.10 \times £100 = £10$

Then add this to £100 to make  $£100 + £10 = £110$

3. £200 increased by 5%

**Method 1:**  $£200 \times 1.05 = £210$

**Method 2:** Find 5% which is  $0.05 \times £200 = £10$

Then add this to £200 to make  $£200 + £10 = £210$

2. £110 decreased by 10%

**Method 1:**  $£110 \times 0.9 = £99$

**Method 2:** Find 10% which is  $0.10 \times £110 = £11$

Then subtract this from £110 to get  $£110 - £11 = £99$

4. £500 decreased by 15%

**Method 1:**  $£500 \times 0.85 = £425$

**Method 2:** Find 15% which is  $0.15 \times £500 = £75$

Then subtract this from £500 to make  $£500 - £75 = £425$

Calculations and working out box

### Stage 3: Reflection

1. How does it make you feel when your investments (a) rise and (b) fall?
2. Comparing your investment strategy and overall portfolio increase/decrease to another pair with the same client, what was similar and what was different?
3. What are the three main things you have learnt about investing from working on this activity?

Reflections box

