

**Start with \$20
and double
what you have
every month for
a year.**



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**Start with \$100
and get another
\$100 every month
for a year.**



\$1,200



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\$40,960



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Name _____

Too Good to be True?

Directions: Read the solicitations below. Decide whether each describes a good investment or one that is probably too good to be true. Circle your answer for each.

1

A company calls your house saying that they are representing an oil company that has 10 new rigs starting next month. They have identified your family as a possible investor. They say their new technology is the best out there for drilling oil and is guaranteed to make millions for its investors. They say that within the first six months, you'll be making 50% interest.

Good Investment

OR

Too Good to Be True

2

A video game company puts an ad in a local game store, asking for investors. The ad claims that their game will be the coolest one to hit the stores in over 10 years. They need investors to send them \$5,000. They say they will pay 35% interest for the next year.

Good Investment

OR

Too Good to Be True

3

Your friend says she wants to start a pet-sitting business. She doesn't have enough money saved to pay for advertising to get started. Your friend offers to pay you 1% of every dollar she makes for the next six months at her business if you lend her the money it takes to advertise. Plus, when she has enough money, she'll pay you back for your original investment.

Good Investment

OR

Too Good to Be True

4

Your uncle takes you to a rare coin show at the city's exposition center. He shares that he purchased an old Spanish coin at this same show last year and just sold the coin on Ebay for 12% more than he paid for it. You're thinking this may be just the plan for the \$200 you earned mowing lawns.

Good Investment

OR

Too Good to Be True



DOUBLE OR NOTHING

Lesson Information

Overview

In this lesson, students will see the difference between simple and compound interest and be able to recognize realistic rates of return.

Objectives

Students will be able to:

- Explain the differences between simple and compound interest.
- Distinguish between realistic and unrealistic rates of return on investment.
- Explain how the Rule of 72 is used to calculate the speed at which money grows.

Vocabulary

Compound Interest, Investing, Principal, Rule of 72, Simple Interest

Suggested Extension Activity

Have students make up their own investment ads and explain why they are or are not too good to be true. Alternately, the students could trade their ads and explain why the other person's ad is or isn't too good to be true.

