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Introduction

The SIFMA Foundation is dedicated to fostering knowledge and understanding of the financial markets for individuals of all backgrounds. Drawing on the support and expertise of the financial industry, the SIFMA Foundation provides financial education programs and tools that strengthen economic opportunity across communities and increase individuals' awareness of and access to the benefits of the global marketplace.

Classroom teachers in grades 4 -12 have come to rely on the SIFMA Foundation's signature investor education program, The Stock Market Game™ (SMG), to engage their students by providing them with real world situations to practice the skills they learn in Math, English, Economics and Social Studies, to name a few.

The SIFMA Foundation is pleased to present you, the afterschool provider, with the SMG Afterschool program. The program tailors the Foundation's successful classroom SMG program to your needs, as an advisor, facilitator, and teacher.

In the SMG Afterschool program, participants work in teams of two to five to invest a hypothetical \$100,000 in stocks, bonds, and mutual funds. Participant teams are responsible for all aspects of their investment portfolio. They are responsible for its creation and management.

In addition to the academic benefits of the SMG Afterschool program, participants are also taught essential life skills as they collaborate to create and manage their team portfolio. Whether it is an individual team member taking on the responsibility to enter trades on the computer or individuals coming together to decide on which securities (stocks, bonds, or mutual funds) to buy or sell, SMG Afterschool provides participants with the opportunity to practice the soft skills they will need in pursuit of their careers and life goals.

About This Guide

For most people, it is intimidating to teach something that is unfamiliar to them or is difficult for them to make sense of themselves. The purpose of this guide is to provide you – the SMG Advisor – with tips for an effective “shared learning” experience (a situation where both teacher and student pursue knowledge together from the same starting point).

This guide will introduce techniques for cooperatively learning the fundamentals of investing. It will walk you and your teams through the process of successfully completing the Activities and Challenges in the SMG Afterschool.



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Getting Started

SMG Afterschool Goals

It is safe to assume that everyone knows “money.” Regardless of culture or creed, most people know that you need money to “get stuff” -- the things you need and the things you really don’t need but want anyway.

What isn’t understood well by most is that money needs to be managed. It is important to budget your money and to be strategic about its use.

In the SMG Afterschool program, students are not required to invest all of their money. In addition to deciding what to invest in, participants in their SMG teams must decide how much to invest. The cash balance in their online SMG portfolios earns interest. Check the Rules section online for the current interest rates.

The goals of the SMG Afterschool program are:

- to encourage strategic and active management of fiscal resources
- to introduce participants to the fundamentals of saving and investing
- to provide real world applications of academic skill sets

Computers & Internet

The SMG Afterschool program is an online educational experience. Participants require computers and Internet access in order to complete the various Challenges. However, this does not mean that limited access to computers makes the SMG Afterschool program less effective.

Limited computer and Internet access means team management is much more critical. For example, teams will need to manage their computer time, so they can look at their portfolios, enter transactions, and/or research current events or potential investments, while allowing enough time for other teams to do the same.

Participants with access to computers at home might be asked to conduct research outside the center where the SMG Afterschool program is being implemented and come prepared to conduct transactions on the following day. In some cases it may be necessary to assign one student to enter team transactions and print out team reports.



Time Commitment

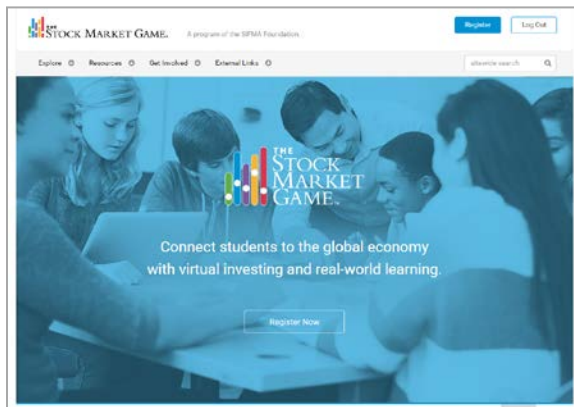
The SMG Afterschool program is extremely flexible. SMG trading windows are available throughout the year. The self-guided Challenges allow teams to progress at their own pace.

For many participants the SMG Afterschool program is their first experience of money management and the capital markets. To provide a more realistic experience, the program follows the same calendar and work day as the NYSE Euronext. Trading hours are Monday through Friday, 9:30AM – 4:00PM ET. A calendar of exchange closing is available in the About Us section of their Web site: <http://corporate.nyx.com/en/holidays-and-hours>.

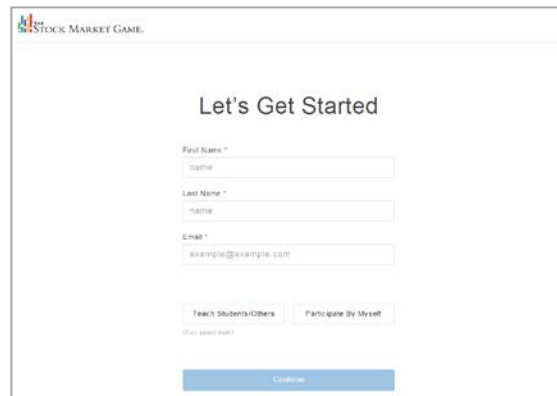
The Teacher Support Center

There are four websites associated with the SMG Afterschool program (not including the online investment portfolio site):

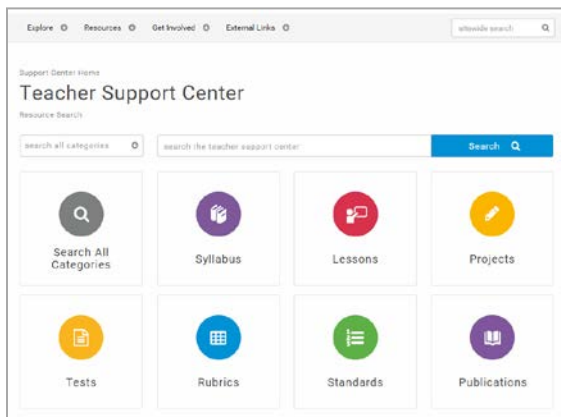
1. The public information page



2. The registration site:



3. The Teacher Support Center:



4. The SMG Afterschool Team site:



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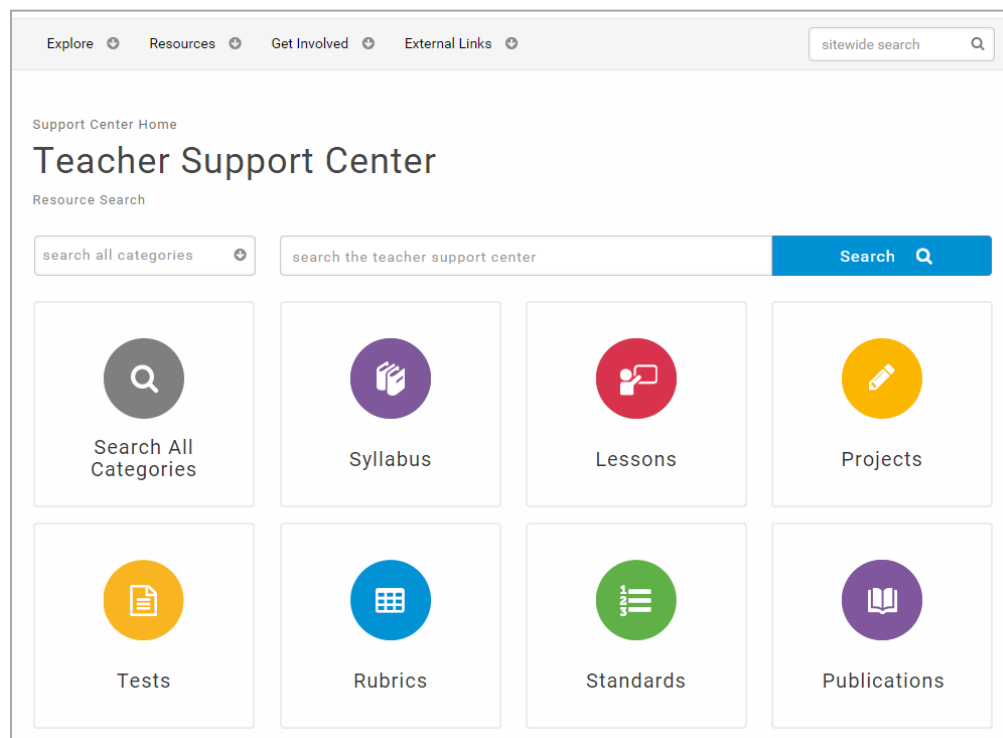
When you register your students to participate in the SMG Afterschool program, you immediately receive an email message containing your SMG Advisor ID and password. There are two distinct types of IDs in the SMG Afterschool:

The **Advisor ID** which provides you with access to teaching materials, rankings, and your teams' portfolios through the Teacher Support Center.

The **Team ID** which your students will use to access the SMG Afterschool activities and their online investment portfolios through the SMG Afterschool Team site.

Both Advisors and Teams login at www.stockmarketgame.org.

The Advisor ID can be easily identified because its third section begins with a "T". For Example: AS_12_T1234567. Because your Advisor ID and password allows you into your teams' portfolios, it is strongly recommended you keep them in a safe place. The Advisor ID does *not* provide you with your own trading portfolio. It only gives you access to the Teacher Support Center.



The Teacher Support Center provides you with teaching and technical resources to assist with your successful implementation of The Stock Market Game. It is organized into eight sections:

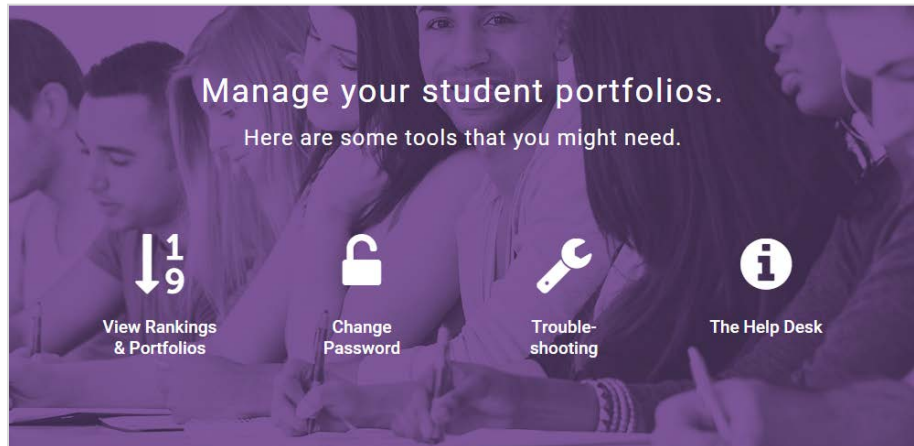
1. **Search All Categories:** Enter the topic you would like to access a list of different materials addressing it.
2. **Lessons:** Provides an alphabetical list of lessons and activities for you to use with your students.
3. **Syllabus:** Select your students' grade level to create a list of lessons in the order we suggest you teach them.
4. **Projects:** These mini-units of study help extend students' understanding of The Stock Market Game's core lesson topics.
5. **Tests:** These traditional assessment tools are organized into pre- and post.



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- Rubrics:** You are encouraged to use these judging criteria to have your students assess themselves.
- Standards:** The Stock Market Game is correlated to national Common Core standards and many local standards in math, ELA, social studies, and other subjects.
- Publications:** Include newsletters, mini-units of study, and other publications intended to extend your students' understanding of the capital markets, investing, and personal finance.



In addition to lessons and assessments, you are provided with a *Manage Your Student Portfolios* section. This section gives you the following tools:

- View Rankings and Portfolios** – Let's you look into your students' portfolios and compare their performance. (Each link in the View Portfolio and Rankings section opens a new window, so be sure to have your pop up blocker disabled or set to allow pop ups from smgww.org.)
- Change Password** – Allows you to change your password.
- Troubleshooting** – Gives you tips and tricks to try when you experience problems accessing the Stock Market Game website.
- Help Desk** – Is a help request form that you complete to request assistance from your Stock Market Game coordinator.

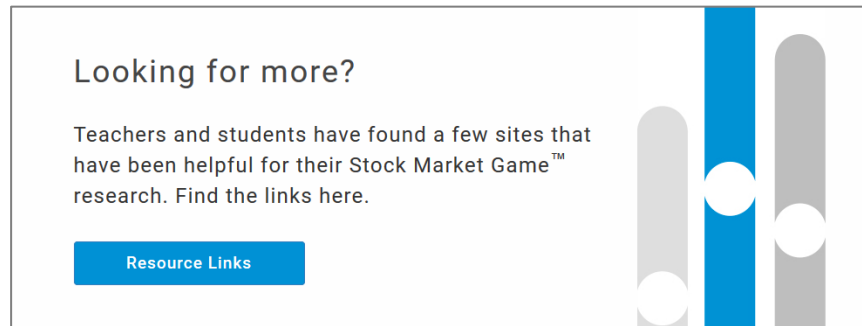


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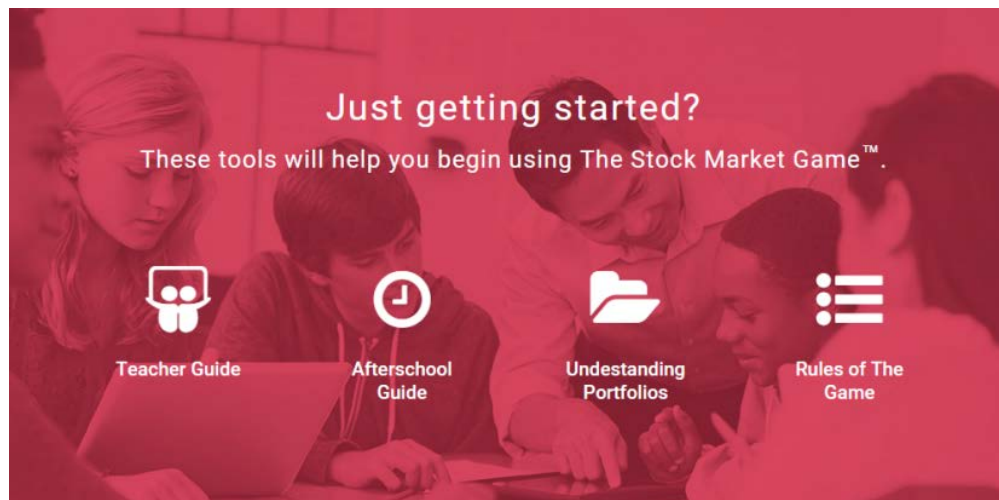


Follow these steps to view your students' portfolios and rankings:

1. Click the class you want to view under "Class Name." The window that opens provides you with basic information about your class.
2. Clicking on Team ID of the portfolio you would like to see will open a new window displaying the Welcome page that a team sees after a successful login.
3. Click the Portfolio link on their Welcome page to open a new window with access to their online investment portfolio.



Additional third-party resources can be found in the Teacher Support Center's *Resource Links* section. Please note, however, these are links to third-party commercial companies. It is recommended that you visit these sites first before introducing them to your students to ensure that the content is appropriate.

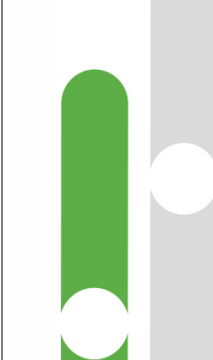


The *Just Getting Started* section provides you with comprehensive guides on successful implementation of the Stock Market Game program. This guide (the *Afterschool Guide*) is available in the *Just Getting Started* section. The Getting Started section of the Teacher Support also provides you with a Teacher's Guide for classroom teachers and an annotated description of the portfolio.



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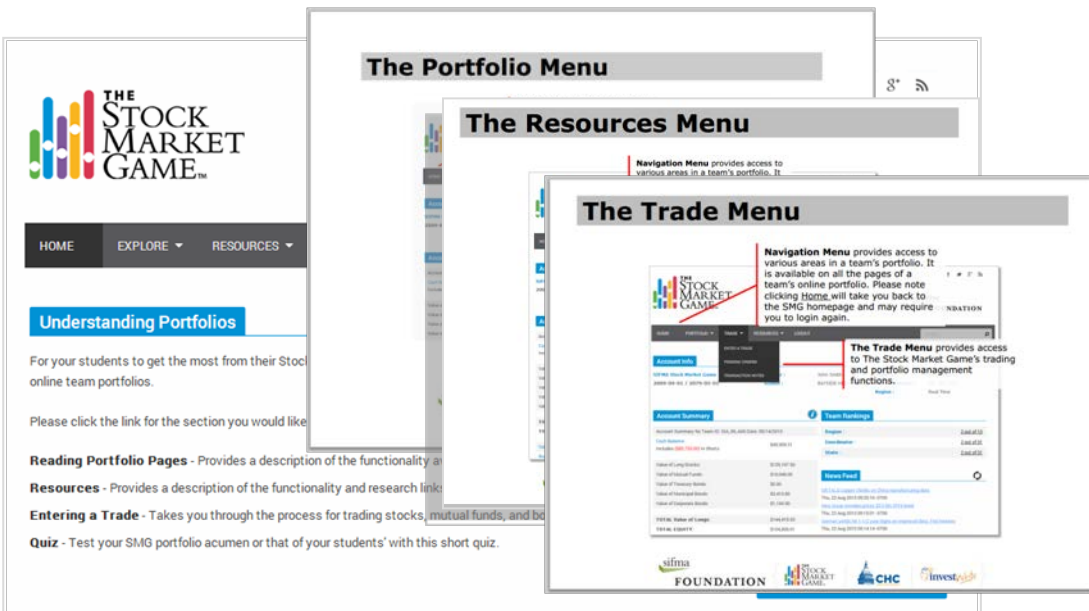
Celebrate Your Students!

Do more than just compete in SMG.
Take advantage of our printable certificates
and our various promotional materials.

Participation Certificates

The SMG Store

Celebrate Your Students with customizable Participation Certificates and prizes from The SMG Store. The certificates allow you to type your student's name and your name for a personalized certificate acknowledging their participation in the Stock Market Game program. The SMG Store is owned and managed by a third party vendor.



The screenshot displays the 'THE STOCK MARKET GAME' website. The main navigation bar includes 'HOME', 'EXPLORE', and 'RESOURCES'. A sidebar menu is visible with the following items:

- Understanding Portfolios** - For your students to get the most from their Stock online team portfolios. Please click the link for the section you would like.
- Reading Portfolio Pages** - Provides a description of the functionality and research links.
- Resources** - Provides a description of the functionality and research links.
- Entering a Trade** - Takes you through the process for trading stocks, mutual funds, and bonds.
- Quiz** - Test your SMG portfolio acumen or that of your students' with this short quiz.

Overlaid on the screenshot are three menu cards:

- The Portfolio Menu**
- The Resources Menu**
- The Trade Menu**

Each menu card includes a brief description of its function. The Trade Menu card also shows a screenshot of the trading interface with a table of account balances:

Account Summary	Team Holdings
Account Summary for Team of 100,000 Cash, 0% Margin	Buyer: 1,000,000
Cash Balance: 100,000.00	Investment: 1,000,000.00
Invested: 0.00 (0% Margin)	Value: 1,000,000.00
Value of Long Stocks: 0.00 (0% Margin)	
Value of Short Stocks: 0.00 (0% Margin)	
Value of Treasury Bonds: 0.00 (0% Margin)	
Value of Corporate Bonds: 0.00 (0% Margin)	
Value of Futures Contracts: 0.00 (0% Margin)	
Value of Options Contracts: 0.00 (0% Margin)	
Value of Mutual Funds: 0.00 (0% Margin)	
Value of Cash: 100,000.00	
Value of Cash: 100,000.00	
Value of Cash: 100,000.00	
Value of Cash: 100,000.00	

You are free to use all of the materials available to you. However, you only *need* to familiarize yourself with this guide (the *Afterschool Guide*) and the annotated portfolio pages in Understanding Portfolios to successfully use The Stock Market Game program with your students. Don't forget additional help is always available through your local SMG Coordinator.



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Program Layout

The SMG Afterschool is organized into Tasks, Activities, and Challenges.

Tasks

There are four tasks:

1. Before You Invest
2. Selecting Your Investments
3. Tracking Your Investments
4. Reflections.

Each Task represents a decision making process an individual would use when he invests his money. SMG Afterschool Tasks are comprised of two or three Activities.

Activities

Activities introduce participants to general saving and investing concepts. They are based on the 12 core lessons in the classroom version of The Stock Market Game. The classroom core lessons were determined by a committee of industry and education professionals in response to the question: What investment concepts should a student be familiar with in order to say he or she successfully played The Stock Market Game?

List of Activities

Companies
Stocks
Stock Quotes
Choosing Companies
Your First Trade!
Keeping Records
Diversification
Bonds?
Mutual Funds
Risks and Returns
Summing It Up

There are 11 Activities. Each Activity is comprised of one to four Challenges.



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Challenges

The goal of the Challenges is to provide participants with opportunities to acquire and apply new saving and investing skills. Challenges are presented as worksheets to help teams focus and organize their thoughts. While some teams may wish to fill these worksheets out and keep them in their journals, it is not necessary. It is more important that team members discuss the answers to the questions asked.

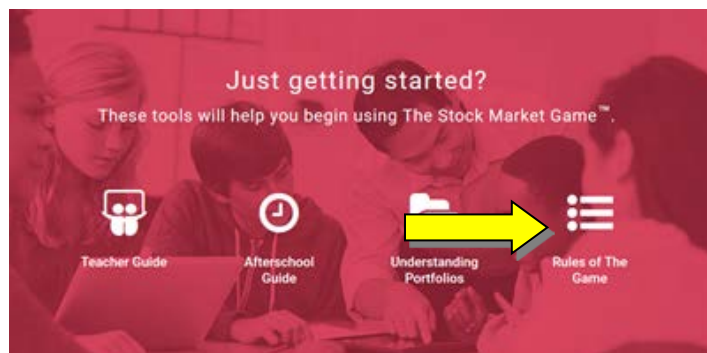
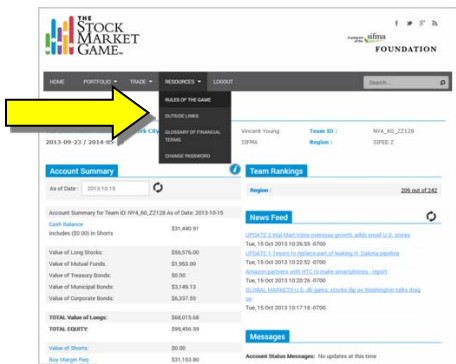
List of Challenges

Two Candy Companies
 A Third Candy Company
 Brands and their Parents
 Brands to Buy
 Ticker Symbols
 Understanding Quotes
 Stock Quotes
 Ticker Symbols
 Comparing Stock Quotes
 What is a Good Company?
 Make Your Choice
 Is It Diversified?
 Are You Diversified?
 Diversify Your Portfolio

What Should Mary Do?
 Investing in Bonds
 Bond Comparison
 Enter A Bond Trade
 Mutual Fund Basics
 Finding Your Fund
 NAV
 Enter A Mutual Fund Trade
 Defining Risk
 The Earnings Growth Rate
 Choose Your Companies
 Enter A New Trade
 In Good Company
 How Did You Do?

Rules

Like any other game or simulation, the SMG Afterschool has rules. In addition to the time constraints that mirror the real world trading hours on Wall Street, rules that govern the SMG Afterschool trading portfolio include a ban on the purchase of stocks priced \$3 or less, the inclusion of only investment grade bonds, Maximum Equity restrictions, and a 1% fee on all buy and sell transactions. Teams may read the rules by mousing over "Resources" in their trading portfolio. Advisors click "Rules of the Game" in the Teacher Support Center.



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It is your responsibility to familiarize yourself with the rules of trading in the SMG Afterschool program. It is also your teams' responsibilities. If you do not understand one of the rules, please do not hesitate to contact your SMG Coordinator. The contact information should be available on your Advisor homepage.

Evidencing Learning

The SMG Afterschool program is designed to guide participants through a series of interactive activities that get progressively more difficult. Asking participants to keep a "trade journal" provides many opportunities for them to demonstrate their understanding of key concepts.

It is recommended that teams write in their journals when they have meetings, complete activities, record trades, track data, and build company profiles. The journals encourage teams to reflect on their decisions and strategies. They are useful instruments in measuring personal development and progress.

The final Task is designed to guide students through a project that allows them to evaluate their investment knowledge.

Below are some additional suggestions for a final Task:

- Create a brief company profile for each stock the team owns during the game. Include a summary of the company's products, where it operates, strengths and weaknesses.
- Create a glossary of terms learned throughout the SMG Afterschool program.
- Use SMG Afterschool Challenges as writing prompts. Using persuasive writing skills, participants can cite their research to convince teams to buy or sell certain stocks or mutual funds.
- Using reflective writing skills, participants can think more deeply on why a stock or fund did or didn't do well, why they disagree with a team's decision, why and how the economy is affecting their stock or particular industry, etc.
- Describe a current event and the economic environment that could affect investment decisions.
- Create a presentation explaining the team's investment strategy and why it was successful or was not successful.

Organizing Teams

The Partnership for 21st Century Skills has identified collaboration as one of the skills necessary for academic and professional success. The SMG Afterschool program is an opportunity for students to practice collaboration through cooperative decision-making, conflict resolution, and time management.

Grouping students into teams may also address logistical issues like limited availability to computers with Internet access by organizing individual students into more manageable units or sections.

Assigning each team member a well defined role helps participants maintain focus and provides them with a clear understanding of what is expected of them. Roles also ensure each team member participates in the learning process, is accountable for group assignments, and supports group decision-making.

Any combination of roles is possible. It is not necessary to use all of the job titles below. You may pick and choose the roles you want participants to play. You may also rotate the roles (one person might be team Director one week and another person may be team Director the following week).



The following are suggested team roles:

Director – The Director leads the team, coordinates their duties, and is responsible for all team activities, including maintaining their portfolio password, checking Rankings, and coordinating team efforts.

Lead Investment Research Analyst – Everyone on the team is expected to research potential investments. It is the responsibility of the Lead Investment Research Analyst to review the team's research and make investment recommendations to the team.

Head Trader – While the task of entering trades can be shared, the Head Trader is ultimately responsible for entering trades. He ensures valid ticker symbols are being used and that all trades are entered correctly.

Lead Reporter – It is important to write down key points made during team meetings. It is the Lead Reporter's responsibility to collect everyone's notes and combine them into a single document as evidence of points made and decisions that were agreed on.

Head Archivist - Keeps a record of all transactions the team makes and uses this information to verify portfolio data. He/She reviews their team portfolio's Transaction History, Account Summary, Account Holdings, and Gains & Losses reports for accuracy.

Consensus Building

Consensus building (or collaborative problem solving) is a continuous process. An effective SMG team is one that is able to respectfully debate their differences and arrive at a mutually satisfying decision. This does not mean the debates cannot become heated or passionate. It means they are able to weigh the arguments and counter-arguments to agree upon a single decision.

Eight characteristics of consensus building are:

Listen: Be sure that each team member has a full understanding of what other team members are saying.

Contribute: Share all relevant information even if it conflicts with personal interests.

Inclusion: Ensure that everyone is included in the decision-making process.

Evaluate: Determine what points team members agree on and what points they disagree on. Spend time evaluating the differences.

Time: Don't waste time discussing those points that team members already agree on.

View: Conflict about ideas, solutions, rationales, and predictions should be viewed as helping, rather than hindering consensus. These conflicts help ensure that all sides of an issue are explored to the satisfaction of all team members.

Look: Observation of both verbal and non-verbal signs from team members will help determine when consensus has occurred. In many cases a formal vote on an issue is not necessary.

Compromise: When used in consensus building, compromise doesn't mean that a team member will give up a position in exchange for support on another point. It does mean that the opinions of all team members are equally important, that each member will discuss an issue with an open mind, and is willing to fully support a decision made by the team.



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Team Names Activity

After you have grouped the participants into teams of two to five members, ask them to choose a name for their team. Agreeing on a team name is a good consensus building activity.

Follow these steps to name a team:

Brainstorm - Have everyone list several ideas with reasoning but no evaluative comments. Get into the habit of requiring everyone on your team to participate.

Evaluate - Have each person choose their first two choices for names and see if you have overlap. Reduce the list to four names or less.

Discuss - Don't vote! Ask each person to give a pro and con for each of the top four names. Based on this analysis, choose your top two names. Do pros and cons on the top two names with each person making a proposal for the top name and others chime in with support.

Decide - If necessary, take a vote at this point to select the team name. Voting is only used when a team can't make it to consensus.

Tasks & Activities

Introduction


The goal of the Introduction activity is to create an understanding of the material value of any given dollar amount.

How much is \$100,000? The Introduction activity asks the teams to go online and research the costs of everyday items in order to give them a physical sense of how much \$100,000 is worth. In the Introduction activity, Zillow, Zappos, Levis, and Wells Fargo websites are given as sources for prices. You are encouraged to provide your own shopping websites or ask the teams to provide the names of the websites where they do their own shopping. It is important to use references that are familiar to the teams.

Depending on your time and comfort level, you may even want to frame the activity within the context of having a job and a home and paying off student loans or mortgages. The US Bureau of Labor Statistics' Consumer Price Index is a good place to start research on salaries and material costs. Their web address is: <http://www.bls.gov/cpi/>.

The Team Portfolio

The SMG Afterschool online team portfolio is a sophisticated trading tool with an intuitive and easy to use interface. Before starting the Tasks, distribute the teams' IDs and passwords and provide them with an informal portfolio tour.

Ask your teams to click through the links and explore the pages of their team portfolio. Point out to them that each page has a Help section, accessible by clicking .



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Team Portfolio Overview

There are five options available in the navigation menu that appears throughout The Stock Market Game's online investment portfolio:

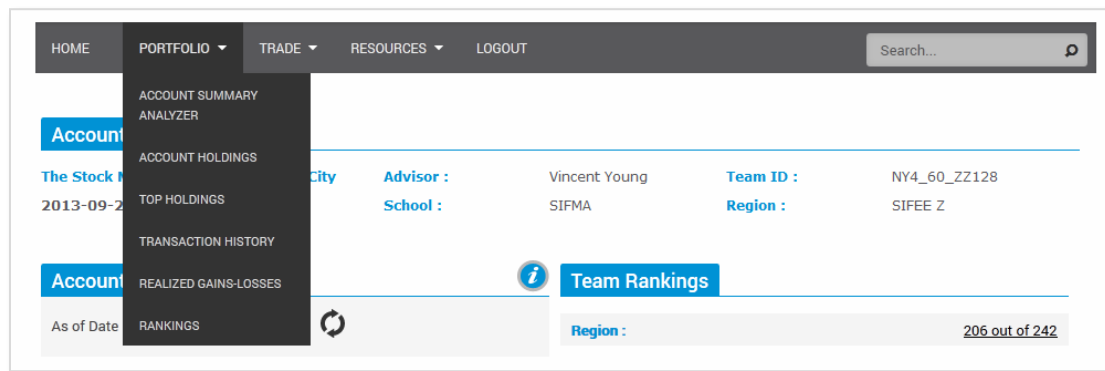
Home – Returns you to the Welcome page (Account Analyzer) of the team portfolio.

Portfolio – Information about the portfolio's equity, transactions, and rankings.

Trade – Trading tools.

Resources – SMG trading rules, a glossary, a research link, and a "Change Password" function.

Logout – Logs you out of the portfolio.



Account Summary Analyzer provides you with a financial overview of the portfolio's equity, current holdings, and rankings. It also provides you with a graphical representation of your portfolio, current market news, SMG system messages, and an interactive ticker lookup/ trading function.

Account Holdings provides a list of stocks currently held in the portfolio, including current price and unrealized gains and losses. Dollar amounts in red and in parentheses indicate a loss.

Top Holdings provides a list of the most traded securities in the current session of The Stock Market Game.

Transaction History shows all activity that has occurred in the team's portfolio during the SMG session, including: trades, commissions, fees, interest (paid and received), dividends, stock splits, and other corporate actions. This is a good place for a team to look if they suspect there is something wrong with the reporting in their portfolio.

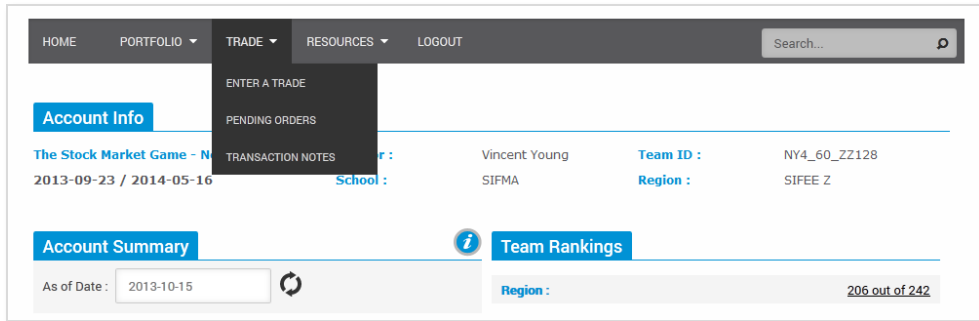
Realized Gains and Losses show all gains or losses on trades. Gains (or losses) only become *realized* when a position is closed (sold). Interest received or paid and dividends received are also considered realized gains or losses.

Rankings take the team to the SMG rankings, which show how the team is performing in comparison to the other teams. Rankings are determined by either the total equity in the portfolios or the percentage growth of the portfolio equity compared to the S&P index.



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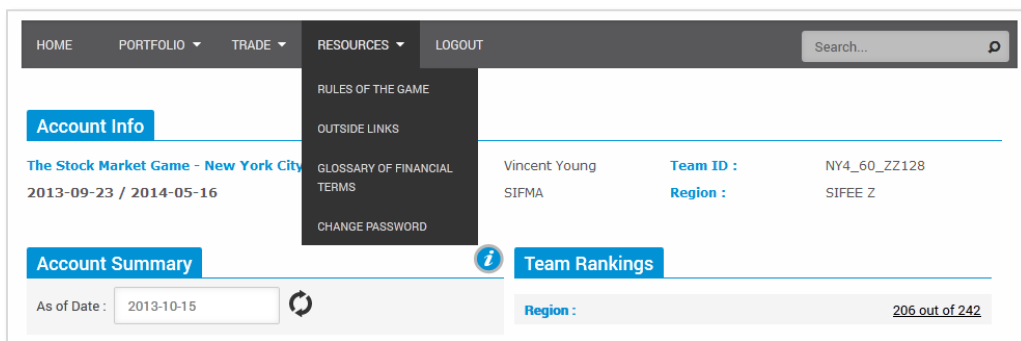




Enter a Trade is where a team enters buy, sell, short sell, and short cover transactions.

Pending Orders list of all the trades that have been entered but have not yet been executed. A trade will appear in Pending Orders after it has been entered and will remain there until it is processed and moved to Account Holdings the next business day.

Transaction Notes provides a snapshot of the trades you made. It will display error messages for trades that did not go through. Unlike Transaction History it will not include any interest, dividend payments, or corporate actions.



Rules of the Game includes the current interest charged on borrowing and earned on cash balances.

Outside Links provides links to third party sites not directly affiliated with either The Stock Market Game or SIFMA. These sites have been recommended by teachers as being good research sites to use with the SMG program.

Glossary of Financial Terms is provided by SIFMA. It includes definitions for popular financial jargon.

The Team Member Journal

Even if the team has a Lead Reporter, everyone on the team should keep a journal of meeting minutes and reflections. In addition to the immediate academic benefits of journal writing in composition and organization, journal writing also helps students make potentially complex connections, identify relationships, make meaning from seemingly meaningless events, and most of all express their feelings.



The SMG Afterschool program provides a journal template for the team members to use. It is intended to ensure that the important referential elements of a journal entry are included in the creation of the entry. However, team members should feel free to use their own templates or styles of writing.

Task One: Before You Invest

In addition to setting financial goals before you invest, it is necessary to understand the fundamental components of investing.

Task One:

- defines a company
- differentiates between private and public companies
- defines a stock
- teaches how to read ticker symbols

Activity 1: Companies

In Activity 1 teams are asked to think more deeply about familiar companies. The teams are introduced to three candy companies. Two of them are public companies that can be invested in. One of them is a private company that does not allow outside investment. Teams read the descriptions of the companies and are asked to think about the companies as potential investments instead of producers of some of their favorite candy brands.

While they are asked to discuss the questions that occur after each of the readings, it is expected that the team - especially the Lead Reporter - take notes and write down each other's responses. Teams should be told to refer to these notes when they evaluate other companies for potential investment.

Activity 2: Stocks

The one aspect that surprises those new to the stock market the most is the fact that when they purchase stock in a company, they become part owner of that company. Also, regardless of the number of shares of stock purchased – one or 100 – the owner of a single share is entitled to the same benefits as the owner of 100 shares.

An aspect that confuses many people new to investing in the stock market is the difference between a “parent company” and its brands. Often, many first time SMG teams will try to invest in Twizzlers or M&M's instead of Hershey, the company that owns and makes these products. Activity 2 has teams practice distinguishing between brands and their companies.

Activity 3: Ticker Symbols

Activity 3 is an exercise in locating ticker symbols for the companies teams wish to invest in. A ticker symbol is the series of letters that brokers and industry professionals use to identify stocks. Sometimes it is as straight forward as “IBM” being the ticker symbol for the IBM Corporation. Sometimes it is less



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obvious like “KO” being the ticker symbol for the Coca Cola Company. Activity 3 concludes with teams entering their first trade.

Task Two: Selecting Your Investments

Task Two asks the teams to apply the foundational knowledge they gained from Task One. Teams will now begin researching companies and discussing trades. They will also begin analyzing and reflecting on their decisions.

Assist your teams with guided discussions identifying and comparing companies and industries for possible investment. There are several websites in addition to the Education section in the Investing section of Yahoo! Finance (<http://finance.yahoo.com>) that may be helpful in your discussions.

For example, FINRA, the Financial Industry Regulatory Authority, whose mission “is to protect America’s investors by making sure the securities industry operates fairly and honestly,” has a section of its site dedicated to introducing people to investing (<http://www.finra.org/Investors/index.htm>).

The Motley Fool is also a good starting resource. It is a multimedia financial services company dedicated to “building the world’s greatest investment community.” Its founding members have authored many books on investing and provide a well organized introduction to investing on the Motley Fool website (<http://www.fool.com>).

Activity 1: Considering Companies

There are two general schools of stock analysis: Technical and Fundamental. Technical Analysis seeks to identify the patterns in a stock’s price changes by examining charts of its past performance. Fundamental Analysis also looks at a stock’s price changes but includes a lot of additional factors that may or may not make that stock a good investment.

Investopedia.com provides a detailed explanation of Technical Analysis and a comparison of it to Fundamental Analysis:

<http://www.investopedia.com/university/technical/techanalysis2.asp#axzz1XlsH0eHK>

Activity 2: Enter Your Trade

In this activity, SMG Afterschool teams are asked to enter their first trades. This is sometimes more difficult than finding companies to invest in. This is also the first test of each team member’s ability to fulfill his role (director, trader, reporter, etc.)

Activity 3: Keeping Records

Note taking is one of the skills often overlooked in discussions about school. It is not enough to show up and to try to remember everything that was said and demonstrated. Students and adults need to be able to sift important information from unimportant information.



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Activity 3 provides teams with a graphic organizer that asks them to answer important questions about the company or companies the team has decided to invest in. Teams are expected to actively use their notes to inform their decision making.

Greatschools.com has a helpful article on how to take notes. It includes links to examples of “word clues” that help the note taker distinguish between important facts and lesser facts. The article is located at:

<http://www.greatschools.org/students/homework-help/323-take-great-notes.gs>

Task Three: Tracking Your Investments

“Rebalancing” is perhaps the most important concept taught in Task Three. The Activities in this Task ask teams to evaluate their investments and make changes they feel necessary to maintaining a “healthy” portfolio.

Task Three also formally introduces teams to bonds and mutual funds. It also introduces the concept of diversification. With regard to investing, diversification refers to the different types of investments a team has in their portfolio. Team in the SMG Afterschool program may invest in stocks, bonds, and mutual funds.

Activity 1: Diversification

Diversification is a real world demonstration of the old adage: “Don’t keep all of your eggs in one basket.” It would be helpful - and fun - to have teams explain what the adage means or come up with similar adages.

Investing in a single industry or a single company is like “keeping all of your eggs in one basket.” An investor diversifies his portfolio to prevent the loss of all his “eggs” if the “basket” is dropped. To prevent a huge loss if one of the companies or industries you’ve invested in falters, you invest in a variety of industries and companies.

The Challenges in Activity 1 ask teams to first determine what a “diversified portfolio” means and then to examine whether their own portfolio is diversified.

Activity 2: Bonds

The most important difference between a stock and a bond is that the latter is a loan. When you buy a stock you are purchasing a part - regardless how small - of a company. When you buy a bond, you are loaning money to a corporation, local city government, the Federal government, etc. An investor earns money on a bond through the interest he is paid when the bond matures and the borrower pays back the loan.

There are four general types of bonds:

Corporate bonds - Bonds are major sources of corporate borrowing. Debentures, the most common type of corporate bond, are backed by the general credit of the corporation, while asset-backed bonds are backed by specific corporate assets, such as property or equipment.



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Municipal bonds- Millions of bonds have been issued by state and local governments. General obligation bonds are backed by the full faith and credit of the issuer, and revenue bonds by the income generated by the particular project being financed.

Agency bonds - Some government sponsored but privately owned corporations (like Fannie Mae and Freddie Mac), and certain federal government agencies (like Ginnie Mae and Tennessee Valley Authority) issue bonds to raise funds either to make loan money available or to pay off new projects.

U.S. Treasury bonds - US Treasury bonds are backed by the full faith and credit of the United State government. When the government spends more than it collects in taxes and other revenues, it issues Treasury notes, bills, and bonds to borrow the money to pay the difference. Treasury bonds have the longest term or period of time before the loan must be repaid (10 years or more). Treasury bills have the shortest (less than two years).

The Bond Primer section of the Yahoo! Finance website is a good place to start learning about bonds and types of bonds: <http://finance.yahoo.com/education/bond>.

Activity 3: Mutual Funds

For many investors mutual funds are an affordable way to diversify their investments. A mutual fund is a collection of stocks, bonds, and other securities owned by a group of investors and managed by a professional investment advisory company.

The goal of the Challenges in Activity 3 is to introduce teams to how mutual funds are evaluated and to have them try their hand at evaluating the investment potential of a particular mutual fund.

Task Four: Reflections

Activity 1: Summing It Up

The objective of the Challenges in this Activity is to have students think critically about their decisions and just as they may have rebalanced their portfolios, “rebalance” their work both as an individual and as a member of a team. Encourage students to interact with other teams and ask questions about their decisions. You may model constructive criticism as opposed to simple opinion.

Conclusion

Playing the SMG Afterschool will not make your students expert investors. However, it will help them to think more critically about money and how it can be used strategically.

In its most successful implementation, the SMG Afterschool program teaches both afterschool staff and student the basics of saving and investing. In addition, the SMG Afterschool should be fun to play for you and your students.

If you should encounter troubles with the game, each page of the online team portfolio has its own Help section. You can also contact your SMG Afterschool Coordinator directly using the form on the Help tab of your SMG Advisor site.



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Appendix

Trading The Stock Market Game™ Way
Buying Bonds the SMG Way
Meeting Your Margin
Terms You Should Know



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Trading The Stock Market Game™ Way

You may trade stocks, bonds, and mutual funds in The Stock Market Game (SMG). Stocks and mutual funds are traded the same way. To trade bonds in the SMG, refer to the SMG handout, *Buying Bonds the SMG Way*. This document only addresses how to make stock or mutual fund trades.

The screenshot shows a white box with a blue header that says "Enter a Trade". Below the header, there are three blue buttons with white text: "Stock Trade", "Mutual Fund Trade", and "Bond Trade".

Buy or Sell, Short Sell or Short Cover?

There are four types of stock and mutual fund trades: Buy, Sell, Short Sell, and Short Cover. The latter two refer to a specific situation where an investor borrows stock from a brokerage company and sells it with the intention of buying it back at a lower price. Short Sell and Short Cover work together like Buy and Sell work together. To remove a Short Sell position from your portfolio you must Short Cover.

The screenshot shows a white box with a blue header that says "Enter a Stock Trade". Below the header, there is a blue button labeled "Blocked Symbols". Underneath, there are four radio buttons: "Buy", "Sell", "Short Sell", and "Short Cover". Below the radio buttons are three blue links: "Search for Ticker Symbol", "Search By Stock Description", and "Validate Ticker/Get Details". There is a large white text input box. Below that is a label "Order Type" and a dropdown menu currently showing "Market". Below that is a label "Number of Shares" and another large white text input box. Below that is a label "Limit Price" and a white text input box with a dashed line. At the bottom, there are two grey buttons: "Clear Values" and "Preview Trade".

Search for Ticker Symbol, Search By Stock Description, Validate Ticker/Get Details

If you think you know the company's symbol, enter it in the box and click **Search for Ticker Symbol**. If you are right, a pop-up will appear with a quote. If you are wrong, the pop-up will open with no information.

To find a company's ticker symbol, enter its name into the same box and click **Search By Stock Description**. A pop-up appears with a list of possible matches. Click the ticker symbol for the company you wish to trade. This will automatically enter its symbol into the box. Click **Validate Ticker/Get Details** to confirm it is the company you wish to trade.



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Order Type: Market or Limit?

By default, your **Order Type** selection is *Market*. This means you want your trade executed regardless of the stock's price.

In a Buy order, choosing *Limit* means you want to specify the highest price you are willing to pay for the stock or mutual fund. In a Sell order, it is the lowest price you will accept to sell your stock or mutual fund. Enter your **Limit Price** as a decimal with no dollar sign. *Limit* orders expire at the end of the trading day.

Enter the **Number of Shares** you wish to trade. The minimum number of shares for a buy order is 10. There is no minimum number on sell orders.

Are you sure you want to do it?

Click **Clear Values** to start over or click **Preview Trade** to confirm and submit your trade. Review your **Trade Order Preview** carefully. Trades cannot be undone. You are charged a broker's fee for each trade you make.

If the information is correct, enter your password and **Confirm Trade**. If it is not correct or if you change your mind, select **Edit Trade** to correct or update your trade.

Your transaction will not be processed until you click **Confirm Trade**. After you have confirmed your trade, a new screen appears with a **Trade Order Confirmation Number** and the option to view **Pending Transactions** or **Enter Another Trade**.

Trade Order Preview

Action Buy
Ticker IBM
Company Name INTERNATIONAL BUSINESSMACHINES CORP
of Shares 100
Order Type Market Order
Limit Price -----

Re-enter your password to place this trade.



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Why didn't the trade go through?

Not all trades are entered successfully. Visit your Transaction Notes page to figure out why a trade did not go through. These are some of the most common errors:

Account Margin Exceeded by: \$ - You did not have enough money for the trade, even if you borrowed the maximum.

Failed: Could not talk to portfolio system - System was unavailable for trading. Try again later.

Invalid Symbol or Price Feed System Down - If you get this message, you may have entered the ticker symbol incorrectly or part of the system may be down. Check the ticker symbol and re-enter the trade.

Not enough position for transaction - You are trying to enter a transaction to sell or short cover more of a security than you currently hold in your portfolio.

OMS control file error-INVREQ - The SMG system is down and could not process your order. Please try again later.

Order Price is Away From Market - You entered a limit price that was not met.

Order Rejected - You attempted to sell a stock that you did not own.

Order Canceled - You canceled the trade before the close of market, while it was still in *Pending Transactions*.

Possible duplicate order - You have just entered a duplicate order that would put your portfolio in an oversold long or over bought short position. The trade has been rejected.

Portfolio system unavailable, please try again later - The SMG system is unavailable for trading. Please try again later

Symbol is not defined in portfolio system - You have attempted to place a trade with a ticker symbol that is not in the portfolio database. Ask your teacher to contact your SMG Coordinator about it.

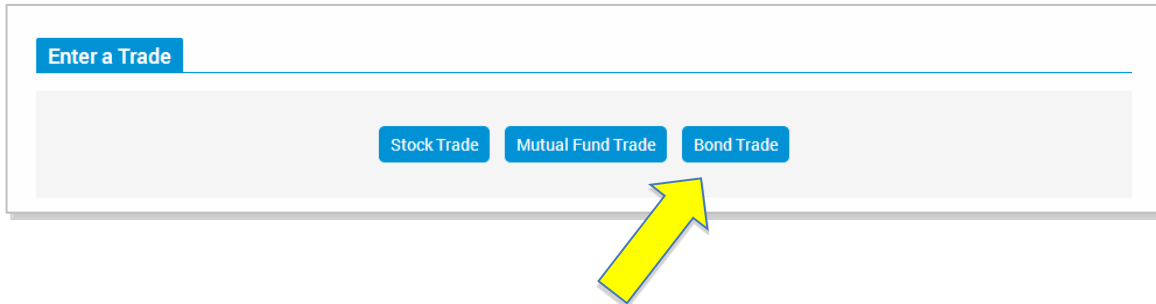
Security Not Found on Sec Mast Xref File and OSS Sec Mast - You attempted to trade a stock that was not in the system. Usually this means the stock is not listed on either the NASDAQ or the NYSE Euronext. If you receive this message and are sure the stock is traded, please have your teacher contact your local SMG Coordinator.

Symbol price is zero - You have either entered an incorrect ticker symbol or the system price data feed is not pricing the security.

This is a Possible Error - You will get this message if a system error occurred during processing. If you get this message, check *Account Holdings* the day after you entered the trade to see if it has been processed. If not, re-enter the trade.

Trade exceeds maximum percentage for equity - Your SMG Coordinator has implemented a *Maximum Percent Equity* rule. Please ask your teacher for the maximum amount of equity you are allowed to invest in a single company or fund.

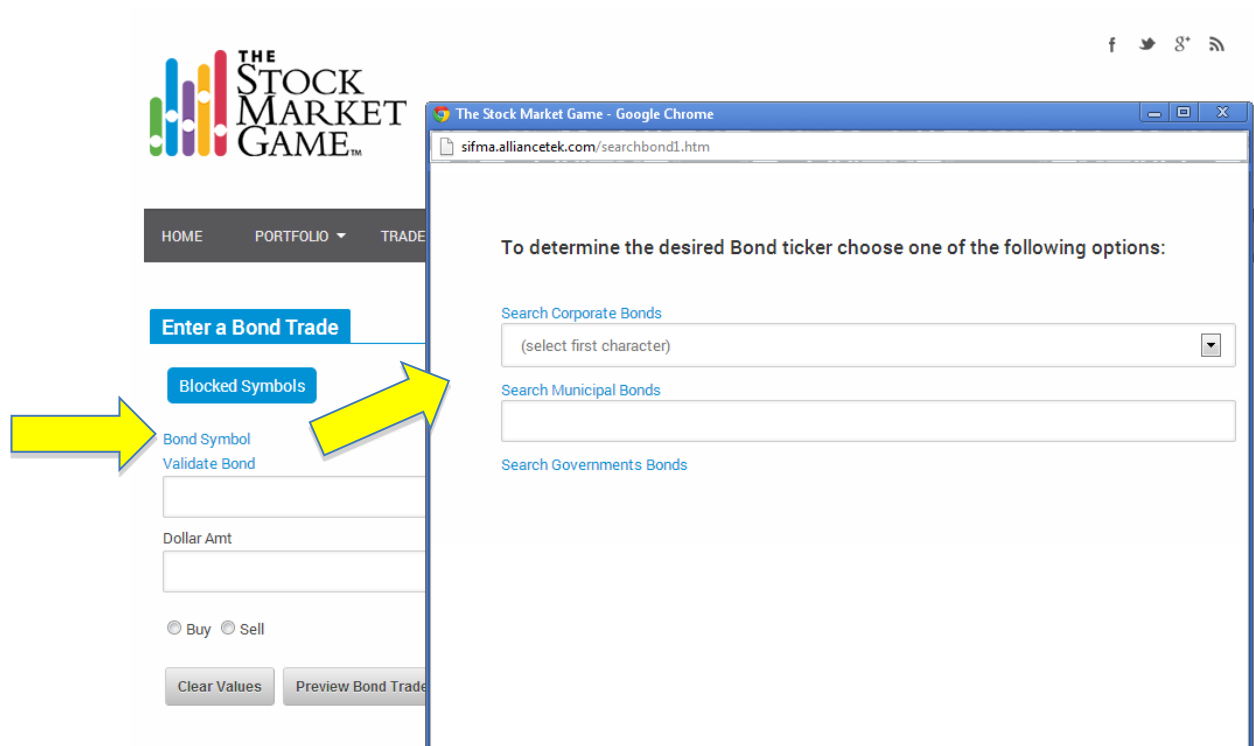
Buying Bonds the SMG Way



Select Bond Trade from the **Enter A Trade** page.

On the **Bond Trade** screen, click Bond Symbol to open a pop-up window. This window asks you “To determine the desired Bond ticker...”

Decide the type of bond you want to buy: Corporate, Municipal, or Treasuries.



Buying Corporate & Treasury Bonds

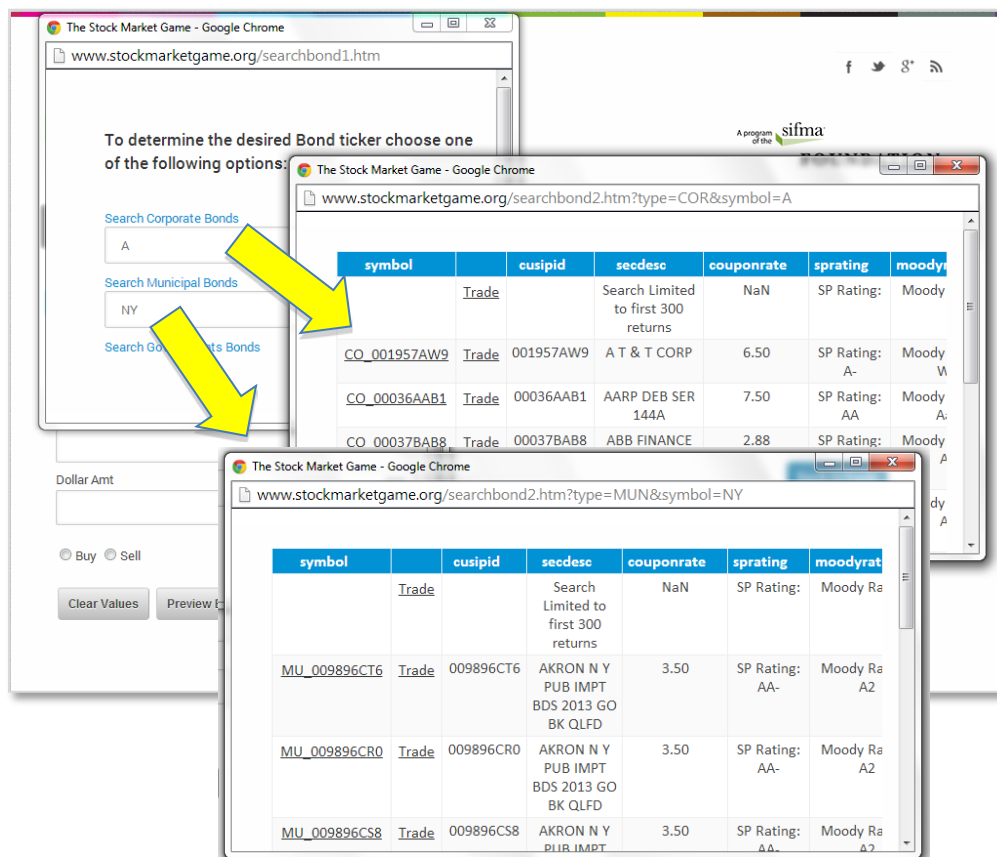
To buy a corporate bond select the first initial of the company issuing the bond from the drop down menu and then click [Search Corporate Bonds](#). Click the 12-character SMG ticker to the left of a bond to see its quote. Click [Trade](#) to buy the bond.

To buy a Treasury bond, select the agency issuing the bond from the drop down menu and then click [Search Treasuries](#). Click the 12-character Symbol to the left of a bond to see its quote. Click [Trade](#) to buy the bond.

Buying Municipal Bonds

To buy a municipal bond, enter the state who has issued the bonds you wish to buy and then click [Search Municipal Bonds](#).

Click the 12-character SMG ticker to the left of a bond to see its quote. Click [Trade](#) to buy the bond.



The screenshot shows three overlapping browser windows from 'The Stock Market Game' website. The top window shows the search options: 'Search Corporate Bonds', 'Search Municipal Bonds', and 'Search Government Bonds'. The middle window shows search results for Corporate Bonds with a table of columns: symbol, cusipid, secdesc, couponrate, sprating, and moodyrat. The bottom window shows search results for Municipal Bonds with a similar table. Yellow arrows point from the 'Search Corporate Bonds' and 'Search Municipal Bonds' buttons to their respective search result windows.

symbol	cusipid	secdesc	couponrate	sprating	moodyrat
		Search Limited to first 300 returns	NaN	SP Rating:	Moody
CO_001957AW9	001957AW9	A T & T CORP	6.50	SP Rating: A-	Moody W
CO_00036AAB1	00036AAB1	AARP DEB SER 144A	7.50	SP Rating: AA	Moody A+
CO_00037BAB8	00037BAB8	ABB FINANCE	2.88	SP Rating:	Moody A

symbol	cusipid	secdesc	couponrate	sprating	moodyrat
		Search Limited to first 300 returns	NaN	SP Rating:	Moody Ra
MU_009896CT6	009896CT6	AKRON N Y PUB IMPT BDS 2013 GO BK QLFD	3.50	SP Rating: AA-	Moody Ra A2
MU_009896CR0	009896CR0	AKRON N Y PUB IMPT BDS 2013 GO BK QLFD	3.50	SP Rating: AA-	Moody Ra A2
MU_009896CS8	009896CS8	AKRON N Y PUB IMPT	3.50	SP Rating: AA-	Moody Ra A2



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Meet Your Margin

Margin Calculations

Buying Power =
Available Equity x 1.5.

Buy Margin Requirement
= $[2/3 \times (\text{Value of Long Stocks} + \text{Value of Mutual Funds} + |\text{Value of Shorts}|)] + (.04 \times \text{Value of Treasury Bonds}) + (.10 \times \text{Value of Municipal Bonds}) + (.25 \times \text{Value of Corporate Bonds})$

Minimum Maintenance Requirement = $0.30 \times (\text{Value of Stocks} + \text{Mutual Funds} + |\text{Value of Shorts}|) + (.024 \times \text{Value of Treasury Bonds}) + (.06 \times \text{Value of Municipal Bonds}) + (.15 \times \text{Value of Corporate Bonds.})$

Interest = $(\text{Amount Borrowed} \times \text{Interest Rate}) \times \text{Number of Days} / 360$

In The Stock Market Game (SMG), the process of buying on margin occurs automatically once the portfolio's cash balance has been exhausted. SMG teams begin with a cash balance of \$100,000 (plus any interest earned). However, because they may buy on margin, their Buying Power is \$150,000 (one and one half their Available Equity).

The Buy Margin Requirement in SMG is 2/3 or 66% of the sum of the value of the team's long positions and the value of their short positions plus 4% of the value of the team's Treasury Bond positions plus 10% of the team's Municipal bond positions plus 25% of value of the team's corporate bond positions.

SMG's Minimum Maintenance Requirement is 30%. A team that does not meet this requirement will receive a margin call. They have five days to meet the 30% maintenance requirement. If it is not met, SMG will sell or short cover stocks, beginning with the lowest-priced ones, until the minimum maintenance requirement is met.

It is important for teams to understand the risk associated with purchasing on margin. Usually, teams using Buying on Margin as an investment strategy tend to do so early in the trading session, allowing for ample time to recover any losses that may be generated.

More information about Buying on Margin, Minimum Maintenance, and Margin Calls is available in the Help pages of the Account Summary section of your SMG team portfolio.

SMG Interest

In the Stock Market Game interest is charged weekly on negative cash balances at an annual rate of 7.00%, and credited weekly on positive cash balances at an annual rate of 0.75%. Interest is calculated daily, then summed for the week (Saturday through Friday) and posted Saturday (with Friday's date). The daily rate is based upon a 365-day year. $\text{Daily Interest} = \text{Cash} \times \text{Appropriate Interest Rate (as a decimal)} / 365$. Bond coupon payments will be posted when due.



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Terms You Should Know

Available Equity: The amount of equity available for supporting additional buy and short sell transactions. This is the most the team can provide for their part of the 50% initial margin requirement. If this figure is negative, all buy and short sell transactions will be rejected.

$$\text{Available Equity} = \text{Total Equity} - [(\text{Value of Longs} + |\text{Value of Shorts}|) \times 0.50]$$

Buying Power: The total amount of money available for stock purchases and short sales when fully extended on margin. Note that the payment of broker's fees and interest charges not only reduces your balance, but also reduces your ability to borrow.

$$\text{Buying Power} = \text{Available Equity} + (\text{Available Equity} \times .50)$$

Cash Balance: The amount of cash left from the initial \$100,000. Once trading begins, the cost of all stock purchases is deducted along with any interest payments and realized losses. Any interest payments received, dividends, and realized gains are added back to the cash balance. If the cash balance is zero, any new buy or short sell transactions will be funded through borrowing on margin. If the cash balance is negative, this is the amount of money borrowed on margin.

Commission & Fees: A 1% fee is charged on all stock transactions. The total of all commission fees is listed in the Account Summary. Each individual commission fee is listed in the Transaction History.

$$\text{Commission Fee} = \text{Value of Trade} \times 0.01$$

Cost Averaging: Averaging the cost of multiple trades (buys or short sells) of the same security. Like trades of the same security will be combined into one line in Account Holdings and Realized Gains/Losses. Cost averaging is done by dividing the total cost of all like trades in the same security by the total number of shares traded.

Delisted: A stock that has been delisted has been removed from an exchange and cannot be traded. A company's stock may become delisted if it files for bankruptcy, merges with another company, moves from one exchange to another, or fails to meet exchange minimum standards. If you try to trade a stock that has been delisted, your order will be rejected. If a stock you own is delisted, it will be liquidated and any gain or loss will appear on the Gains & Losses page.

Initial Margin Requirement: The percent (50% in SMG) of collateral required to finance a purchase or short sell transaction. The concept of a margin requirement is aimed at: 1) limiting the amount of money that may be borrowed to finance trading in stocks (the Federal Reserve sets margin requirements); and 2) providing protection to the broker making the loan of money (for purchases) or stock (for short sales) against adverse changes in the market value of the collateral (long and short positions). See Maintenance Margin Requirement.

$$\text{Initial Margin Requirement} = (\text{Value of Longs} + |\text{Value of Shorts}|) \times 0.50$$

IPO (Initial Public Offering): When a company switches from being privately owned to publicly owned (or "goes public"), the initial offering of stock for sale is called an IPO. IPOs will be available for trading after they have been added to the SMG system.



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Interest on Cash: Money received for cash held in a bank account. In SMG, your average daily cash balance is calculated and you are paid interest weekly at an annual rate of 0.75%.

$$\text{Interest on Cash} = \text{Cash Balance} \times (0.75/52)$$

Interest on Loans: Similar to the interest on cash balances, your average daily balance of money borrowed on margin is calculated and you are charged interest weekly at an annual rate of 7%.

$$\text{Interest on Loans} = \text{Money Borrowed on Margin} \times (0.07/52)$$

Liquidate: To liquidate a stock holding, the stock must be either sold or short covered. To liquidate a portfolio, all open positions must be closed. Teams do not need to liquidate their portfolios at the end of the session.

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Maintenance Margin Requirement: Also known as Minimum Maintenance, this is the minimum margin requirement (30% in SMG) that a team portfolio must maintain after borrowing on margin. If the total equity in your portfolio falls below 30% of the value of your long and short positions, your team will receive a margin call and you will have to sell or short cover some of your stocks. Note: For the following formula, use the absolute value (positive value) of the Value of Shorts.

$$\text{Maintenance Margin Requirement} = 0.30 \times (\text{Value of Longs} + |\text{Value of Shorts}|)$$

Margin Call: A warning that the total equity in your portfolio has fallen below the 30% maintenance margin requirement; a request for additional equity in to meet the maintenance margin requirement. If you receive a margin call, you will have three weeks to meet the 30% requirement. This can be accomplished if the value of your holdings increases or by selling or short covering a stock(s). The proceeds of any sale or short cover will be used to pay off some of the money you borrowed (i.e., reduce the amount on margin). If the requirement is not satisfied within three weeks, SMG will sell or short cover long and short positions, beginning with the lowest priced stocks, until the minimum maintenance requirement is met.

Net Equity Gain: The amount of money your team has gained or lost since the beginning of SMG.

$$\text{Net Equity Gain} = \text{Total Equity} - \$100,000$$

Net Cost/Share: For stocks in the long position, the amount of money spent on each share of stock, including the commission. If multiple trades of the same stock were made, the net cost per share will be an average of the net costs per share of each trade.

$$\text{Net Cost/Share} = \text{price of each share of stock} \times 1.02$$

Percent Return: The percent gained or lost in the team's portfolio since the beginning of the SMG session.

$$\text{Percent Return} = \text{Net Equity Gain} / \$100,000$$

Price Limit: The maximum you are willing to pay per share when buying or short covering a stock or the minimum you are willing to sell each share for when selling or short selling a stock. You may enter a price limit when entering a transaction in the Enter a Trade section. The use of price limits is optional and serves to protect you against sharp market movements.



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Realized Gains & Losses: The total amount of profit or loss realized from the sale or short cover of a stock. Interest received or paid and dividends received are also considered realized gains or losses. Any stock that is still held in your portfolio will not be listed in Realized Gains & Losses.

Realized Gains & Losses = Proceeds - Original Cost

Short Cover: Buying stock to replace the stock you originally borrowed from the broker for a short sell transaction. When you short cover, you are closing the short position.

Short Sell: Borrowing shares of a stock from your broker to sell on the open market. At some point, you must cover the short or buy enough shares to return those you borrowed. Short selling is a strategy used by those who think the price of a stock is going to decrease in the short term. The idea is to sell the borrowed stock now at a higher price, and once the value of the stock falls, to buy it to replace the borrowed stock. The profit is the difference between what is paid per share and what is received per share. Beware if the price of the stock begins to rise, because at some point the stock must be bought back (short covered) and returned to the broker. The value of a short position is the current price per share times the number of shares sold short.

Team Portfolio: A record of all transactions, activity, and stock positions of a team. It is typically updated daily.

Total Equity: The net value of a team portfolio.

Total Equity = Cash Balance + Value of Longs

Unrealized Gain & Loss: The difference in the initial purchase price of a stock and the current value of the stock. The gain or loss is unrealized, because the stock has not been sold or short covered (i.e., the position has not been closed).



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