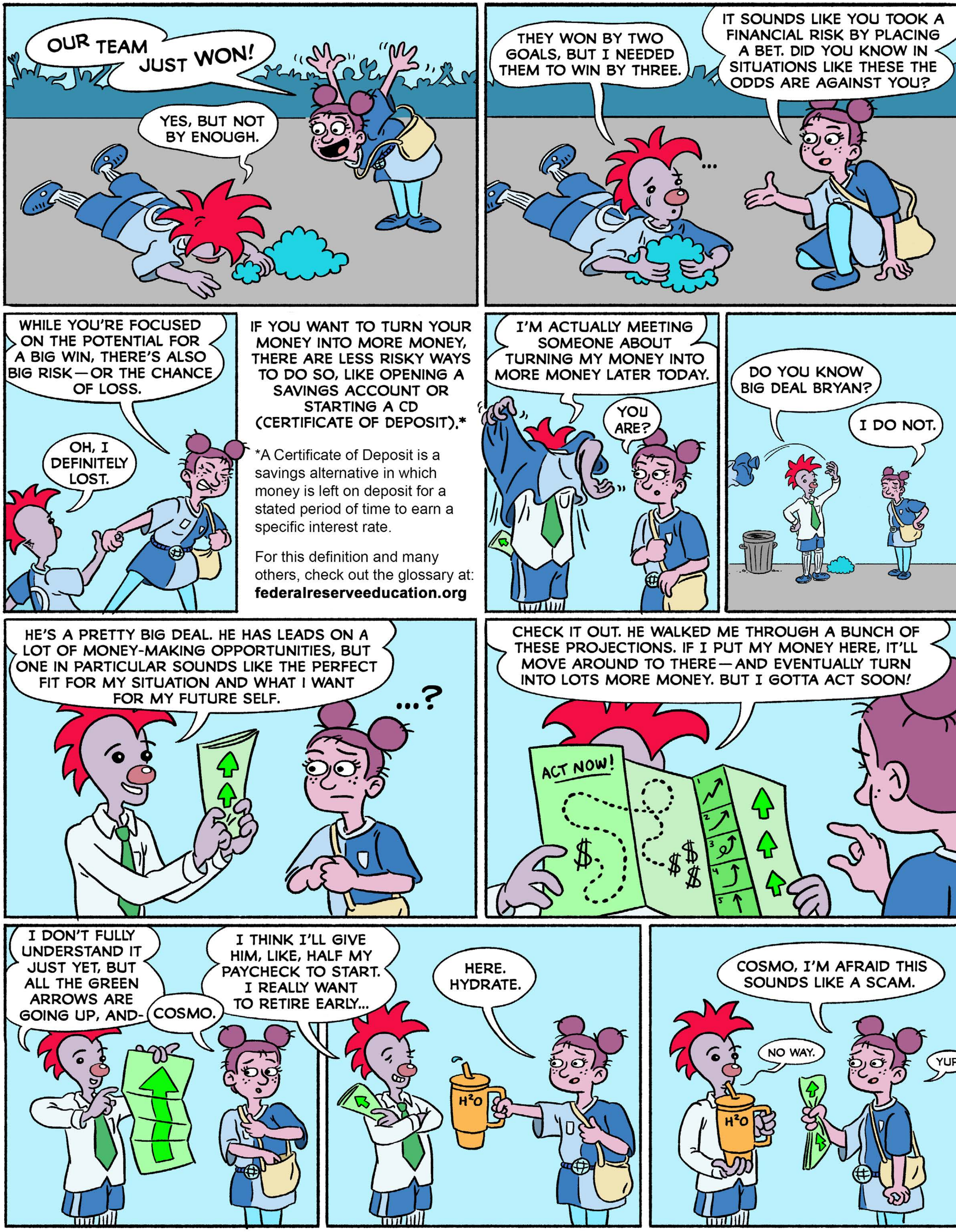
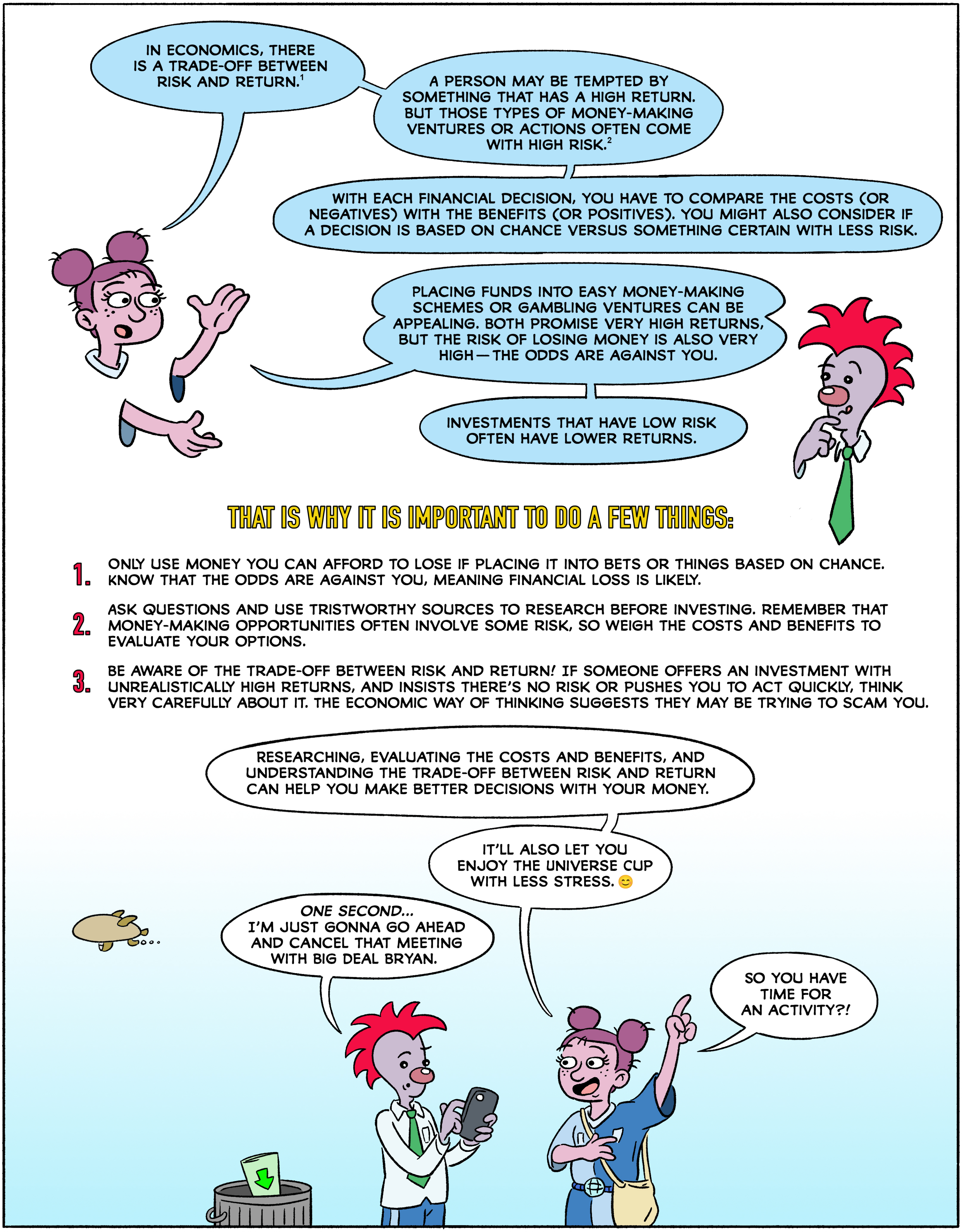

PERSONAL FINANCE in a FLASH
Worth the RI$K?
...LESS THAN A MINUTE TO GO HERE, FOLKS...
SPORTS RESTAURANT
HERE WE GO NOVUS
BIG TV
FEDERAL RESERVE BANK OF KANSAS CITY • FEDERAL RESERVE BANK OF NEW YORK
...AND THERE'S THE FINAL WHISTLE!
!?!
NOVUS WINS!!
NOVUS WINS THE UNIVERSE CUP!!!
OH NO.
NO...
NO...
NO...
NOOOOOOOOO...
WHAT'S WRONG, COSMO?


OUR TEAM JUST WON!
YES, BUT NOT BY ENOUGH.
THEY WON BY TWO GOALS, BUT I NEEDED THEM TO WIN BY THREE.
IT SOUNDS LIKE YOU TOOK A FINANCIAL RISK BY PLACING A BET. DID YOU KNOW IN SITUATIONS LIKE THESE THE ODDS ARE AGAINST YOU?
...
WHILE YOU'RE FOCUSED ON THE POTENTIAL FOR A BIG WIN, THERE'S ALSO BIG RISK—OR THE CHANCE OF LOSS.
OH, I DEFINITELY LOST.
IF YOU WANT TO TURN YOUR MONEY INTO MORE MONEY, THERE ARE LESS RISKY WAYS TO DO SO, LIKE OPENING A SAVINGS ACCOUNT OR STARTING A CD (CERTIFICATE OF DEPOSIT).*
*A Certificate of Deposit is a savings alternative in which money is left on deposit for a stated period of time to earn a specific interest rate.
For this definition and many others, check out the glossary at: **federalreserveeducation.org**
I'M ACTUALLY MEETING SOMEONE ABOUT TURNING MY MONEY INTO MORE MONEY LATER TODAY.
YOU ARE?
DO YOU KNOW BIG DEAL BRYAN?
I DO NOT.
HE'S A PRETTY BIG DEAL. HE HAS LEADS ON A LOT OF MONEY-MAKING OPPORTUNITIES, BUT ONE IN PARTICULAR SOUNDS LIKE THE PERFECT FIT FOR MY SITUATION AND WHAT I WANT FOR MY FUTURE SELF.
...?
CHECK IT OUT. HE WALKED ME THROUGH A BUNCH OF THESE PROJECTIONS. IF I PUT MY MONEY HERE, IT'LL MOVE AROUND TO THERE—AND EVENTUALLY TURN INTO LOTS MORE MONEY. BUT I GOTTA ACT SOON!
ACT NOW!
I DON'T FULLY UNDERSTAND IT JUST YET, BUT ALL THE GREEN ARROWS ARE GOING UP, AND-
COSMO.
I THINK I'LL GIVE HIM, LIKE, HALF MY PAYCHECK TO START. I REALLY WANT TO RETIRE EARLY...
HERE. HYDRATE.
H^2O
COSMO, I'M AFRAID THIS SOUNDS LIKE A SCAM.
NO WAY.
YUP.



[1] CEE National Econ Standards: National Benchmark 2.M.1 "Making rational decisions involves trading off the expected value of one opportunity against the expected value of its best alternative."

[2] CEE National Personal Finance Standards: Standard Investing 8-6: "Different types of investments expose investors to different degrees of risk."

THE SCENARIOS BELOW DESCRIBE WAYS CONSUMERS CAN POTENTIALLY WIN OR LOSE MONEY. READ THEM ALL, THEN GO BACK AND RANK THEM BASED ON WHAT YOU BELIEVE THE LEVEL OF FINANCIAL RISK IS FOR THE CONTESTANT INVOLVED.

THE SCENARIO WITH HIGHEST RISK = 4

THE SCENARIO WITH LOWEST RISK = 1

THEN, ANSWER THE QUESTIONS THAT FOLLOW...

Potra loves her video game's daily challenge, where she picks one of three coconuts to win tokens, play perks, or… nothing. The challenge has cool lights and sounds, and she's won the best prize a few times. It requires 40 tokens, which Potra buys if she doesn't have enough saved.

Brivla is a big sports fan and just joined an online fantasy league. Everything with her is sports, sports, sports. Most of her paycheck goes to the league, but she believes her sports knowledge gives her a real shot at the $1,000 prize.

Jabin's newsfeed shows the MegaGalaxy lottery jackpot is $100 million. He's been saving $200 a month for a new family cruiser but decides this month to spend it on lottery tickets instead. He is sure that buying more tickets will increase his chances of winning.

Monsley wants to pay off his debt quickly. His favorite influencer promotes an investment that promises to multiply money in record time. Since he can't make the minimum loan payment anyway, he decides to put all he can into the investment.

1. WHY DID YOU RANK THE SCENARIOS IN THAT ORDER?

2. THE ECONOMIC WAY OF THINKING SAYS THAT YOU SHOULD COMPARE THE BENEFITS AND COSTS BEFORE MAKING A DECISION. PICK ONE OF THE SCENARIOS ABOVE AND LIST THE BENEFITS AND COSTS OF THE DECISION. ARE THE BENEFITS GREATER THAN THE COSTS, OR IS IT THE OTHER WAY AROUND? WHY?

3. OVERALL, HOW DO THE SCENARIOS DEMONSTRATE THE RELATIONSHIP BETWEEN RISK AND RETURN? WHEN CONSIDERING ALL THE SCENARIOS, ARE THE FINANCIAL REWARDS OR RISKS GREATER? EXPLAIN YOUR RESPONSE.