

Factors That Affect Investment Returns

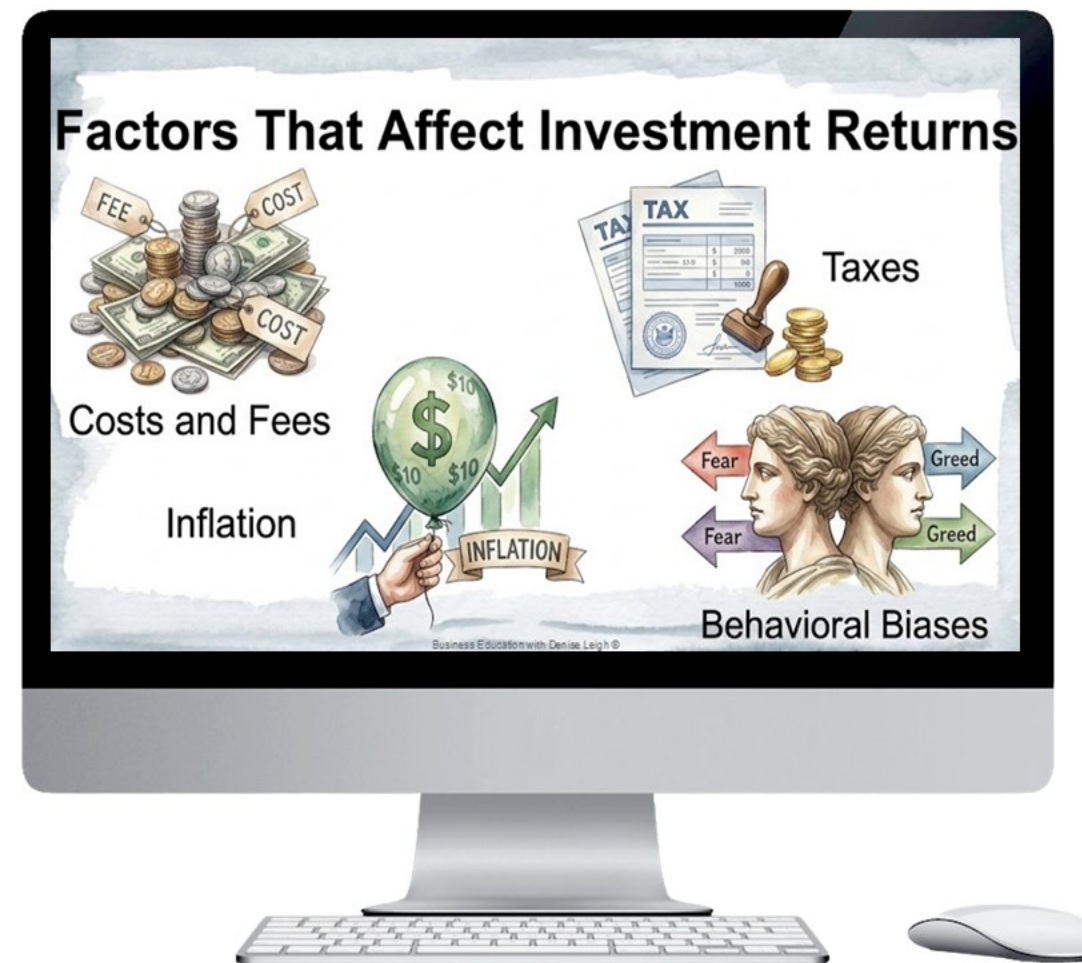
AN INTRODUCTORY DIGITAL LESSON

Understanding the
Factors that Affect
Investment Returns

Editable
Critical Thinking

Google Slides that
Easily Converts to
PowerPoint

NO PREP!
SAVES YOU TIME!



BUSINESS EDUCATION WITH *Denise Leigh*

NO PREP Intro Digital Activity

What's included?

- ✓ 17-slides Google Slides lesson

What will students learn?

- ✓ Why investment returns are not guaranteed
- ✓ How fees and costs reduce profits
- ✓ The difference between full-service and discount brokers
- ✓ How taxes lower investment earnings
- ✓ What capital gains are
- ✓ How inflation reduces purchasing power
- ✓ The difference between nominal return and real return
- ✓ How emotions and behavioral biases affect investing decisions



Encourages Critical Thinking and Discussion

Investment Returns Are Not Guaranteed

Investment Returns Are Not Guaranteed

Even if an investment grows, several things can lower your profit:

- Fees
- Taxes
- Inflation
- Poor economic conditions



Simple Example:

You invest \$100.

Your investment grows to \$110.

But after fees, taxes, and inflation, your real gain may be much less.

Costs and Fees (5.3.B.4)

Investing Is Not Free

Investors may pay:

- Transaction fees
- Management fees
- Financial advisor fees

These costs lower your profit.

Example:

You invest \$200 in an investment.

It grows to \$240.

You pay:

• \$10 in transaction fees

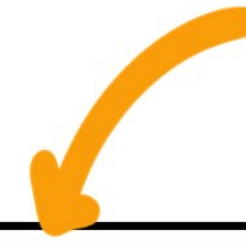
• \$10 in management fees

• \$10 in advisor fee

Your real profit = \$160



Fees



Brokerage Firms

Full-Service vs. Discount Brokers



- Full-service = having a 'tutor' help you
- Discount = watching YouTube tutorials and figuring it out yourself

Full-Service Broker	Discount Broker
Gives investment advice	Little or no advice
Higher fees	Lower fees
More personal help	Mostly self-service

Brokers



More Factors that Affect Investment Returns

Taxes on Investments (5.3.B.5)

Taxes Reduce Earnings

Investors may pay taxes on:

- Dividends
- Capital Gains

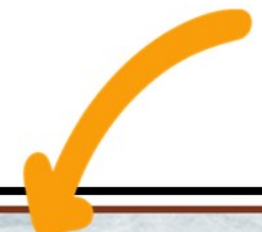
Capital Gain

Money earned when you sell an investment for more than you



Taxes

Inflation



Inflation (5.3.B.6)

Inflation Reduces Purchasing Power

Purchasing Power

... money can buy.

... rise:

... money buys less

... stment gains may not go as far



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Behavioral Biases (5.3.B.7)

Emotions Can Hurt Investing Decisions

Two common biases:

- Overconfidence
- Loss aversion

Key Idea

Some investors believe the stock market is a zero-sum game (mainly a game of energy, but financially dangerous.)



Behavioral Biases

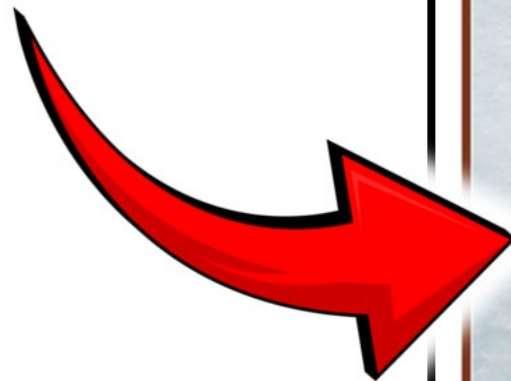
Behavioral Biases




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Critical Thinking Prompts

Students answer prompts right in the file.



Critical Thinking...
Answer in 2-3 Sentences



1. Explain one way fees affect investments.
2. Describe how inflation changes purchasing power.
3. Give an example of a behavioral bias in investing.

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Interactive Slides Included

17 Slides included

Factors That Affect Investment Returns

Costs and Fees

Taxes

Inflation

Behavioral Biases

Investment Returns Are Not Guaranteed

Even if an investment grows, several things can lower your profit:

- Fees
- Taxes
- Inflation
- Poor decisions

Simple Example:
You invest \$100.
Your investment grows to \$110.
But after fees and taxes, it's smaller.

Costs and Fees (5.3.B.4)

Investing Is Not Free

Investors may pay:

- Transaction fees
- Management fees
- Financial advisor fees

These costs lower profits.

Quick Example
You earn \$200 on an investment.
But you pay:
• \$25 in fees
• \$15 advisor fee
Your actual profit = \$160

Brokerage Firms

Full-Service vs. Discount Brokers

- Full-service = having a 'tutor' help you
- Discount = watching YouTube tutorials and figuring it out yourself

Full-Service Broker	Discount Broker
Gives investment advice	Little or no advice
Higher fees	Lower fees
More personal help	Mostly self-service

Why might someone choose a discount broker instead of a full-service broker?

Taxes on Investments (5.3.B.5)

Taxes Reduce Earnings

Investors may pay taxes on:

- Interest
- Dividends
- Capital gains

Capital Gain
Money earned when you sell an investment for more than you paid.

Tax Example

Example of Investment
You buy shares for \$100.
You sell them for \$150.
You take out \$50 in taxes.
Your actual profit is \$40.

Point: Investors think about taxes before making investments.

Inflation (5.3.B.6)

Inflation Reduces Purchasing Power

Purchasing Power
What your money can buy.

As prices rise:

- Your money buys less
- Investment gains may not go as far

Inflation Example

Inflation in Real Life

In 2010:
• \$1 bought a snack and drink

Today:
• \$1 might only buy a drink

Investment Connection
Even if your money grows, inflation may shrink its real value.

How might inflation affect your life?

Nominal vs. Real Return

Two Ways Investors Measure Returns

Example
Investment grows by 8%
Inflation = 3%
Real return = about 5%

Type of Return	Meaning
Nominal Return	Investment growth before inflation
Real Return	Growth after inflation

Behavioral Biases (5.3.B.7)

Emotions Can Hurt Investing Decisions

Two common biases:

- Overconfidence
- Loss aversion

Key Idea
Sometimes investors become their own worst enemy.
(Main character energy... but financially dangerous.)

Overconfidence Bias

"I Can't Lose" Thinking

Overconfidence may cause investors to:

- Take big risks
- Ignore warnings
- Invest too much in one thing

Example
A student buys risky crypto based on "up."

Critical Thinking...

Answer in 2-3 Sentences

1. Explain one way fees affect investments.
1. Describe how inflation changes purchasing power.
1. Give an example of a behavioral bias in investing.

Loss Aversion

Fear of Losing Money

Loss aversion happens when investors:

- Panic during market drops
- Sell too early
- Avoid smart risks

Example
An investor sells stock after prices drop slightly, then misses the recovery later.

Why do emotions sometimes lead to bad financial decisions?

Which factor do you think hurts investors the most? Why?

Quick Review

Factor	How It Impacts Investments
Fees	Reduce profits
Taxes	Lower returns
Inflation	Reduces buying power
Behavioral Biases	Lead to poor decisions

Hi! My name is Denise Leigh. I have been teaching Business Education for over 25 years! I love collaborating with business educators all over the world. I am a 2022 Pennsylvania Teacher of the Year Finalist and relentless lifetime learner and lover of everything education. Engaging students and connecting them to their world is my jam! Thank you for exploring my resources and sharing my passion for BUSINESS EDUCATION!

Denise Leigh is an expert on student-led instruction. She was featured on CBS Pittsburgh for her City Collaborative™ Project-Based Business Education (PBL) Classroom.

