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# Stock Market for Teachers and their Students

*Presented by:*

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# Outline

- What are stocks?
- The Markets
- Valuation
- Connection to the economy
- Basic investing strategies
- Indices
- Student Perspective

# What are stocks?

- Stocks are ownership in the companies that issue shares in publicly owned corporations.
- Issued by companies to raise capital in order to grow the business or undertake new projects.

# Types of Stock

- **Common Stock:**
  - Most common.
  - Allows its holders to make a profit through rising share prices and dividend payments.
  - Tend to outperform preferred stock with strong growth potential.
- **Preferred Stock:**
  - Preferred stock pays a predetermined dividend, whereas the dividends paid to common shareholders tend to vary according to the company's fortunes.
  - If company bankrupts, preferred share holders have higher claim on liquidation assets.
  - Callable just like a bond.

# The Markets

- **Primary Market:**
  - When a company issues stock or bonds for the first time and sells those securities directly to investors, that transaction occurs on the primary market.
  - IPOs occur on the primary market.
- **Secondary Market:**
  - Market is where investors buy and sell securities they already own. It is what most people typically think of as the "stock market."
  - Makes markets more successful as investors have more confidence in ability to use their portfolio as a source of liquidity.

# Valuation of Company Stock

- Valuation of a firm matters
  - Financial health.
  - Possible correlation between stock price and earnings.
  - Able to meet debt obligations
  - Favorable market performance makes it easier to raise additional financing.
- C-Suite executives are often shareholders
- Lower stock prices could lead to takeovers.

# Market Makers

- Brokerage/Dealer company that can buy/sell securities at any specified time during trading hours.
- Earn “profit” on the spread between bid/ask price.
- Without market makers, buyers/sellers would have difficulty in making transactions.

# Connection to Economy

- Interest Rates: Federal Discount rate does not affect stocks directly. Rather it is a ripple effect that affects certain sectors in the market.
- Wealth effect: Cognitive bias that when individual portfolios are appreciating, investors feel more confident about their wealth. Which in turn results in more spending.



# Basic Investing Strategies

- Individual equities:
  - Highest volatility and risk potential.
  - Most difficult and time consuming as it requires sound knowledge of fundamental analysis or technical analysis.
- Diversification/Asset allocation:
  - Investing across a spectrum of asset classes.
  - Reduce overall risk exposure and volatility.
  - By selecting a combination of assets you smooth out the short-term while seeking to achieve your long-term results.
- Dollar cost-averaging:
  - Systematically investing a fixed dollar amount over time.
  - Reduces risk of market timing or purchasing shares at the wrong time.

# Basic Investment Vehicles

- Individual Equities
- Mutual Funds
  - Active managed for particular style of fund.
- Index Funds
  - Passive fund that tracks an Index.
- ETFs
  - Tracks an Index but trades like stocks.
- Taxation can be a key differentiator.

# Indices

- Dow Jones Industrial Average (DJIA):
  - 30 Large Cap stocks
- S&P 500:
  - 500 of the largest publicly traded companies.
  - Considered the best barometer of the US market.
- Russell 1000:
  - 1000 of the largest US companies.
  - Segregate by Growth vs. Value
- Russell 2000:
  - Small-Cap Index
  - Considered best barometer of the US Economy.
  - Small/domestic firms.
- Barclays Aggregate Bond Index:
  - US investment grade bonds.
  - Municipal and Treasury-Inflation Protected Securities are NOT included.

# Student Perspective

- Importance of saving, investing, and compound interest.
- Saving for long term and to build wealth.
- Learn process of raising money in capital markets.
- How to measure Return of Investment (ROI).
- Less fearful and more bullish mindset on the market as a whole.
- Make informed decisions when it comes to money.
- Be more financially literate—big issue in the US.
  - Only 30% of Americans were able to answer 3 simple financial questions about inflation, interest compounding, and diversification.

# Stock Market & Financial Education

- Where and Why?
  - Personal Finance
  - Economics
  - Business & Finance
  - Math

# Stock Market & Financial Education

- How?
  - Basics (videos, terminology, etc.)
  - Stock Market Game
  - Projects
  - Role Play (Auctions, bidding, S&D)
  - Age Considerations

# Stock Market & Financial Education

- More on Stock Market Game
  - Winning, Losing, and Learning.
  - Practical Skills
    - “I’d rather open a Roth IRA.”

# Q&A



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