Diversification Simulation

Your great Aunt just died and left you **$100,000**. Congratulations! And sorry to hear the news. You must invest this $100,000 as soon as possible or else your relatives will take it. Allocate the $100,000 in the five listed investments.

Step 1: Allocate the $100,000 in the five listed investments. Some are safe and some are risky.

Step 2: I will roll the dice for each investment. What they roll will be the yearly percentage return for that investment. **REMEMBER** risky investments equal big rewards or big losses. For risky investments I will roll two dice**. However, if I roll doubles, a seven, or eleven you will loose everything in that investment!**

Step 3: After the yearly return percentage has been established multiply it (after converting it into a decimal) by the amount you invested. This will give you your total return.

Step 4: Add up your total returns from each investment to get your total yearly gain. Make your Aunt happy.

Use the 110 Rule. Subtract your age from 110. What you have left is how much you should invest in risky investments.

EX. If Ms. Duke is 21 then we would use the following formula: 110 - 21= 89. 89% of her investment should be risky.

Round1

Investment	Amount Invested	Yearly Return %	Total Return
Mutual Funds			
Stocks			
CD			
T-Bill			
Real Estate			
			Total Yearly Gain (add up total returns)

Round 2

Mutual Funds			
Stocks			
CD			
T-Bill			
Real Estate			
			Total Yearly Gain (add up total returns)

Questions

Instructions: Answer the following questions regarding your investments.

1. What was your strategy for round one?

2. Did your strategy change for round two? How and why?

3. If you had $30,000 in student loan debt due by the end of year two, how would that affect your investment choices?

4. What was the riskiest investment for you? Why did you decide to pick it?

5. In reviewing the notes, what specific investments would be best for a younger investor and why would those investments be best?