

Curriculum Guide for Presentations on:

Investments

Goal: To provide information about investment opportunities and the relationship between risk and return that enhances money management, while following the guidelines of the Seventh-day Adventist Church with respect to prudent management of church funds.

This curriculum guide is offered as a general guide, as investment needs and opportunities will vary around the world, depending on the organization's finances and its geographical location. As appropriate, additional topics should be considered.

Points to cover:

1. *Define investments.* An example of a definition of investments is: "The current commitment of dollars for a period of time in order to derive future payments that will compensate the investor for (1) the time the resources are committed, (2) the expected rate of inflation, and (3) the risk—the uncertainty of the future payments." (From *Investment Analysis and Portfolio Management* (10th edition) by Frank K. Reilly and Keith C. Brown. Thomson/Southwestern, Mason, OH, 2012, page 4)
2. *Discuss the relationship between risk and return.* The presenter may wish to point out that one factor in the risk of return for a specific security is how the stock's returns move against the overall market—a volatility measure known as the "beta" of the stock. Stock risk is not a default risk (like bond risk), but a measure of the stock's volatility.
3. *Discuss the importance of the diversification of the portfolio, and the necessity of careful portfolio management,* including the selection of the securities custodian. Conventional wisdom regarding diversification suggests most of the benefit of diversification is achieved with 15-20 stocks, carefully chosen to be in different industries, geographic locations, etc.
4. *Identify the types of investments available:*
 - a. Commercial paper
 - b. Certificates of deposit
 - c. Securities issued by national governments
 - d. Corporate stocks
 - e. Bonds—government, municipal, and corporate
 - f. Mutual funds
 - g. Exchange Traded Funds (ETFs)
 - h. Role of the General Conference Unitized Funds
5. *Discuss the investment policies of the General Conference/Division* (see GCWP S 85) and the policies developed by the organization (which, by policy, must be in harmony with the GC

policies). Note that some stocks may be ruled out because the company's products are not compatible with Adventist values, and some bonds that in the past were considered to be very safe have recently dropped to the lowest rating categories.

6. *Discuss the role of the liquidity needs* and time horizons for the organization in making investment decisions:
 - a. Investing short-term funds (needed during the next 12 months)
 - b. Investing intermediate-term funds (needed after the next 12 months)
 - c. Investing long-term funds (e.g., pension funds and endowment funds)

Depending on the needs and background of the audience, the presenter may choose to discuss other market issues during the presentation, such as: national or international stock exchanges, stock market indexes, recent market developments, variable annuities, risky markets and risky securities, price volatility, grading of marketable bonds, Real Estate Investment Trusts (REITs), derivatives, etc.