

EASY FINANCIAL EDUCATION FOR ADULTS

FOUNDATIONS

Risk vs Reward: Why Smart People Buy Both Insurance AND Stocks

Two opposite tools. One smart adult. Here's why.

LESSON 2 · STUDY GUIDE

Making financial education easy.

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STANDARDS ALIGNMENT

All codes are real and current. Verify against your district's adopted standards before use.

CCSS Math + ELA

Code	Description
CCSS.MATH.CONTENT.7.SP.C.5	Understand probability of a chance event — directly applied to insurance and investing
CCSS.MATH.CONTENT.7.SP.C.6	Approximate probability by collecting data and observing long-run frequency.
	Weigh the possible outcomes of a decision by assigning probabilities to payoff values.
CCSS.ELA-LITERACY.RST.6-8.7	Integrate quantitative information expressed in text with a visual — applied to risk-vs-re

Jump\$tart National Standards (2025 edition)

Strand : Standard
Risk Management and Insurance: Standard 1 — Identify common types of risks and basic risk management methods.
Risk Management and Insurance: Standard 4 — Use the Internet to research insurance providers and policies.
Investing: Standard 1 — Explain how investing builds wealth and helps meet financial goals.
Investing: Standard 3 — Evaluate investment alternatives.

LESSON OBJECTIVE + ESSENTIAL QUESTION

Objective:

Students will (1) classify five real-world scenarios as chase-it or pay-it-away risk, (2) compute a simple expected-value comparison between an insurance premium and a potential loss, and (3) defend a personal allocation between investing and emergency savings.

Essential question:

Quick — can you tell me ONE risk you should chase, and ONE risk you should pay to avoid?

Vocabulary you must front-load:

Risk, Reward, Insurance, Investing, Premium, Diversify, Volatility, Hedge

5E LESSON PLAN

Phase	Teacher move	Time
ENGAGE	Show two real headlines: a market index up 20% and a house fire. Ask the class which one a kid should worry about.	5 min
EXPLORE	Give student pairs a deck of 12 risk-cards (broken phone, stolen bike, hospital visit, lost backpack, stock dip, etc.) and ask them to choose the most concerning risk.	12 min
EXPLAIN	Anchor the vocabulary. Introduce expected value: probability times outcome. Walk through one premium-vs-loss calculation.	10 min
ELABORATE	Each pair builds a simple two-column 'Risk Plan' for a 16-year-old earning \$200 a month: which risks they invest into.	13 min
EVALUATE	Exit ticket: students rewrite one of the 12 risk-cards into a paragraph explaining why it lands in CHASE or PAY-AWAY.	10 min

PERFORMANCE TASK

Students design a 1-page 'My First Adult Year' risk plan for an 18-year-old: 3 chase-it risks they will take and 3 pay-it-away risks they will insure. Each line includes the dollar amount, the time horizon, and one sentence of reasoning. Present in a 90-second oral defense.

RUBRIC (4-LEVEL)

Criterion	1 - Emerging	2 - Approaching	3 - Proficient	4 - Mastery
Concept accuracy	Major errors in vocabulary or math.	Minor errors; concept partial.	Concept and math correct.	Correct AND extends concept to a new context.
Reasoning quality	Reasoning absent.	One-sentence reasoning, weak.	Clear reasoning per claim.	Reasoning anticipates a counter-claim.
Communication	Unclear; missing details.	Some details missing.	Clear and complete.	Clear, complete, and persuasive.
Personal connection	No connection drawn.	Generic connection.	Specific personal connection.	Specific connection PLUS proposed action.

EXIT TICKET + EXTENSION

Exit ticket (5 minutes):

Exit ticket: students rewrite one of the 12 risk-cards into a paragraph explaining why it lands in CHASE or PAY-AWAY. Teacher rubric scores correctness + reasoning.

Gifted extension:

Compute expected value for a real index fund (using a 30-year average return and standard deviation) vs. a real \$1,500/year auto-insurance premium against a 1% chance of a \$30,000 loss. Build a one-page brief defending the rational allocation for a 25-year-old.

EQUITY + TRAUMA-INFORMED DELIVERY

Money is not a neutral topic. Some students in your room may have lived eviction, food insecurity, lost a parent's job, or absorbed shame from family money struggles. The Pillars curriculum is built so that the language is hopeful and the activities are choice-rich. Below are deliberate equity moves you can make.

Move	How
Anonymize	Never reference a specific student's family income, account balance, or known financial event
Choice-rich	All performance tasks accept multiple expression modes (oral, written, recorded, sketched). H
No-shame language	Replace 'rich/poor' with 'income brackets' or 'income levels.' Replace 'mistake' with 'choice tha
Fictional protagonists	All worked examples use fictional characters and fictional dollar amounts. Keep it that way.
Family-shape neutrality	Family-chat prompts work for single-parent, multigenerational, foster, blended, and non-traditi
Free options	When you cite the master pass, also offer the free 2-minute video-only option. The hook is fre
Cultural variation	Save / spend / give weights vary across cultures. Honor variation rather than enforcing one ra
Confidentiality	Self-check pages and reflection journals are private. Do not require students to share answers

FIRST-YEAR MONEY-SKILLS CHECKPOINT (running tally)

If you teach all 6 Pillars episodes across a semester, this checkpoint maps which skill anchors at which episode. Use it as a grade-period tracker.

Episode	By the end, the student can...
EP01 - 5 Jars	Can allocate \$100 across 5 jars with reasoning.
EP02 - Risk vs Reward	Can sort 5 risks into chase / pay-away with rationale.
EP03 - Hourglass	Can compute Rule of 72 and explain compound vs simple interest.
EP04 - Taxes	Can read a paystub and identify 5 line items; can explain marginal vs effective rate.
EP05 - Make-Sell-Stand	Can compute cost / price / margin for a real product and pitch it for 30 seconds.
EP06 - Quest Map	Can name all 5 tracts and defend a personal first-path choice.

NCAA / transcript note: Delivered as a year-long financial-literacy elective, this 6-episode Pillars series plus 1 deep-dive tract (12 episodes) easily exceeds the 60-instructional-hour bar for a 1-credit course. The Transcript Kit (inside the master pass) provides ready-to-paste course descriptions, syllabus, and standards alignment for high-school transcripts.

COMMON STUDENT MISCONCEPTIONS — AND HOW TO ADDRESS THEM

Each line is a real wrong-belief students bring to this lesson. The right column is what to say first.

Student misconception	Teacher response
Risk is always bad.	Risk is a tool. Some risks make you. Some break you. Tell them apart.
Insurance is a scam.	Insurance is a pool. The few who suffer the rare loss are paid by the many who don't.
Stocks always go down eventually.	Stocks are volatile in the short term. Diversified portfolios trend up over decades. T

5-DAY PACING VARIANT (FOR A WEEK-LONG UNIT)

If you have a full week, expand the single-block plan into a 5-day arc. Each day is one block.

Day	Plan
Day 1 - HOOK	Watch the 2-minute Pillars video. Run the Engage + Explore phases of the 5E plan. Front-load v
Day 2 - EXPLORE	Run the Explore + Explain phases. Anchor the math or framework on the board. Begin guided pra
Day 3 - APPLY	Run the Elaborate phase. Pair work on the performance task. Formative check-in.
Day 4 - CRITIQUE	Peer-critique the performance task drafts using the rubric. Revise.
Day 5 - DEFEND	Final 60-90-second oral defense + exit ticket + family-connection take-home.

SAMPLE STUDENT EXEMPLAR (Mastery-level response)

Use the box below as a model when norming with grade-level peers. Cover the response and ask students to draft first.

Exemplar topic: Risk plan for an 18-year-old earning \$200/month

Chase-it: \$20/mo into a custodial Roth index fund (long horizon). Pay-it-away: renters insurance once living away (\$150/yr). Skip extended warranties on phones — break-and-replace cost is below the warranty premium over 3 years. Build a \$600 emergency fund first because that covers the most common rare event: car repair.

DIFFERENTIATION + INCLUSION

IEP / 504 modifications:

- Provide pre-printed sort-and-paste cards for the CHASE / PAY-AWAY activity for students with motor or organizational needs.
- Allow expected-value calculations on a calculator with sentence-frame scaffolds.
- Offer the oral defense as a recorded video for students with social-anxiety supports.
- Pair color-coded mentor avatars (IVY = green, SHIELD = navy) with the activity mat.

ELL / multilingual learner supports:

- Pre-teach 'risk', 'reward', 'premium', 'diversify' with bilingual cognate posters.
- Offer sentence frames: 'This is a chase-it risk because ____.' 'This is a pay-it-away risk because ____.'
- Pair with a stronger English speaker for the sort activity to scaffold reasoning aloud.
- Allow the oral defense in the home language with a single English summary line.

Gifted extension:

Compute expected value for a real index fund (using a 30-year average return and standard deviation) vs. a real \$1,500/year auto-insurance premium against a 1% chance of a \$30,000 loss. Build a one-page brief defending the rational allocation for a 25-year-old.

ASSESSMENT ITEM BANK (15 questions)

Use these to build summative assessments, exit tickets, or formative checks. Mix item types.

Type	Item
MC	Insurance covers... (a) all losses (b) rare ruinous losses (c) every-day losses (d) wins
MC	Which is a CHASE-IT risk? (a) house fire (b) stolen bike (c) stock for 20 years (d) dropped phone
MC	What is a premium? (a) interest (b) the cost of insurance (c) a stock (d) a deduction
SA	Define expected value in 2 sentences.
SA	When does it make sense to self-insure rather than buy insurance?
SA	Why does diversification matter inside the chase-it bucket?
CR	Write a 1-page risk plan for an 18-year-old earning \$200/month.
CR	Argue: should a 20-year-old prioritize an emergency fund or stocks first?
CR	Compare a \$200-deductible vs \$500-deductible plan in plain language.
PA	Read your family's car or renters policy. Identify the 5 most important fields.
PA	Track one stock and one bond fund for 30 days. Plot daily prices.
PA	Build a CHASE / PAY-AWAY infographic and present it to a younger sibling.
MC	Long horizon means... (a) more pay-away risk (b) more chase-it risk (c) no risk (d) only insurance
SA	Why is the term 'gambling' inappropriate for diversified long-horizon investing?
CR	Pitch the difference between insurance and investing to a 9-year-old in 60 seconds.

EXTENSION LESSON IDEAS (3 follow-up blocks)

If your students caught fire, here are three follow-up blocks. Each is a self-contained 50-minute lesson.

Block	Concept	Quick activity
Block 1	Probability and expected value	Compute EV for 5 real-world risks. Decide insure / self-insure.
Block 2	Diversification math	Build a 3-asset portfolio. Compare 1-asset variance to 3-asset variance.
Block 3	Insurance industry economics	Read one annual report from a public insurer. Discuss the loss ratio.

RESEARCH BASIS + FURTHER READING

The EFEA curriculum draws on multiple lines of established research and standards. Below are anchor sources that informed this episode and that you can cite in your own lesson documentation.

- Jump\$tart Coalition for Personal Financial Literacy — National Standards in K-12 Personal Finance Education (current edition).
- Council for Economic Education — National Standards for Financial Literacy.
- Common Core State Standards — Math + ELA codes referenced explicitly above.
- OECD/INFE — 2020 International Survey of Adult Financial Literacy (background on adult knowledge gaps).
- Holden, Karen and Kalish, Charles — 'The Importance of Money in Children's Lives' (developmental psychology of money concepts).
- Federal Reserve Bank of St. Louis — Page One Economics: classroom-ready economic education briefs.
- Annamaria Lusardi — research on the lifetime cost of financial-illiteracy errors.
- EVERFI / Next Gen Personal Finance — implementation evidence from K-12 districts.

FAMILY CONNECTION TAKE-HOME

Send the Kids Adventure Workbook home with the family-chat page paper-clipped to the front. Encourage students to do at least one family-chat prompt at the dinner table and bring back a one-line reflection. Inclusivity note: the prompts are intentionally written so they work for any household configuration — single-parent, multigenerational, foster, blended, and non-traditional family structures.

Family-chat prompts:

- What is one chase-it risk our family already takes? What is one pay-it-away risk we already cover?
- If a kid had \$50 a month, how should they split it between investing and emergency savings?
- What is a risk we are NOT covering that we probably should be?

TEACHER GLOSSARY

Word	Plain meaning
Risk	The chance that something might not go the way you want.
Reward	The good outcome that risk can produce — money, growth, or learning.
Insurance	Paying a small amount now so a big disaster doesn't break you later.
Investing	Trading money today for ownership of something that may grow over time.
Premium	The small amount you pay for insurance, usually monthly.
Diversify	Spread your bets so one bad outcome doesn't sink everything.
Volatility	How much something bounces up and down in price.
Hedge	Pair two things so the loss of one is softened by the gain of the other.

SAMPLE HOMEWORK ASSIGNMENT + GRADING GUIDE

Cut, paste, send. Adjust the point values to match your gradebook.

Assignment (due next class):

After watching the PILLARS_EP02 video and finishing the workbook, complete the following:

1. Reflection paragraph (5 points): In 100-150 words, explain in your own words what you learned. Use at least 3 vocabulary words from the glossary.
2. Performance task (10 points): Complete the Performance Task described in the lesson plan. Bring your 1-page artifact AND be prepared to defend it in 60 seconds.
3. Family chat (5 points): Pick ONE family-chat prompt. Have the conversation at home. Bring back ONE sentence summarizing what you learned from your family member.
4. Self-check (no points — for your own benefit): Tick the self-check boxes in the workbook honestly.

Grading rubric (20 points total):

Criterion	Mastery (5)	Proficient (4)	Approaching (2-3)	Emerging (1)
Vocabulary use	3+ used correctly	2-3 used correctly	1 used; some confusion	Vocabulary missing or wrong
Reasoning	Clear, persuasive	Clear, complete	Partial reasoning	Reasoning absent
Personal connection	Specific + actionable	Specific connection	Generic connection	No connection
Family conversation	Reflective summary	Summary present	Brief / vague	Missing

STANDARDS CROSSWALK — DETAILED MATRIX

Expanded view of which lesson activity hits which standard. Use to defend the lesson in your district.

Activity	CCSS / Jump\$tart	How
Engage hook (video)	CCSS.MATH.CONTENT.7.SP.C.5	Direct connection between visual and quantitative reasoning.
Explore (manipulatives)	CCSS.MATH.CONTENT.7.SP.C.6	Apply ratio / proportional reasoning to a real allocation problem
Explain (anchor)		Front-load vocabulary; connect to abstract math.
Elaborate (pair work)	Risk Management and Insurance: Standard 1 — Explain how investments are made	Apply/identify investment standards and balance risk management
Evaluate (exit ticket)	Risk Management and Insurance: Standard 2 — Explain the transfer of risk to insurance providers and policyholders	Demonstrate the transfer of risk to insurance providers and policyholders
Performance task	Investing: Standard 1 — Explain how investments are made	Synthesize external help to meet financial goals.

IMPLEMENTATION TIPS FROM THE FIELD

Field-tested tactics from teachers who have run this lesson with K-12 cohorts. Adapt to your context.

Topic	Tactic
Pacing	The 2-minute video is a hook, not a substitute for instruction. Aim for the video at minute 0-3 and age
Tone	Resist the urge to lecture. The mentor in the video does NOT lecture. Mirror that energy.
Vocabulary	Front-load 4-6 vocabulary words on the board before the video. Children's recall doubles.
Manipulatives	Physical tokens or paper jars or a real hourglass turn an abstract concept into a concrete memory. U
Scaffolding	For mixed-grade rooms, run the Squire prompts as openers and the Champion prompts as exit ticket
Family connection	Send the workbook home and ASK families to send back one line. The reply rate is the leading indic
Equity	Use anonymized examples (no real names, no real account balances). Money trauma is real and a k
Assessment	Mix item types from the bank — multiple choice for confidence, short answer for reasoning, performa

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Stated assumptions, not forecasts.

Any growth rates, returns, prices, or dollar figures used in examples are clearly labeled stated assumptions chosen to make the math easy to follow. They are not forecasts, projections, or promises of any result. Historical figures, tax thresholds, and contribution limits change - always confirm current numbers with official sources such as irs.gov before acting.

Talk to a licensed professional.

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