



LESSON TWENTY-SIX

Collectibles: A Fun but Risky Investment Option TEACHERS

Introduction

What do you collect? Almost all of us collect something as a fun hobby, but some people collect objects they hope to sell for a profit. This profit is called a return on their investment. Using collectibles to meet our financial goals is a high risk. There is no guarantee that the items we collect will increase in value, and the only way to make a profit is by selling the items we collect. Being a serious collector is similar to being a serious investor. To be successful, we must study and learn about the value of our investment and the potential resale market for it. We need to know what will increase the value of our purchase and what will decrease the value of it. We also need to be sure that we buy from people who are honest and have a good reputation. While collectibles may not be the best investment option to meet our financial goals, it can still be a lot of fun!

Purpose

This lesson will help students understand what gives a product value. Students will use basic math skills to calculate possible changes in prices and use

Definition of the Week

Return on Investment: Profit gained from selling an investment for more than you paid for it.

analytical skills to explain why prices change.

Procedure

- 1. Ask students if any one in their family is a collector. Help them identify products that are often collected (coins, baseball cards, stamps, etc). Have students explain reasons that people choose to collect different items.
2. Place students in small groups to select five different items they would like to place in a time capsule that will be opened 50 years from today. Discuss collectible objects that may or may not increase in value during that time. Have students create a chart that lists the name of the products selected, today's price of that item and what they expect it would cost in 50 years. They may want to use advertisements in the newspaper to find specific products or prices. Have students calculate the potential difference in price for each product, plus the percentage loss or gain in price. Have them determine the potential total return on the investment of those items in their capsules.
3. Ask each group to explain their reasons for including the different items in their time capsule and justify their estimated changes in value. Encourage students to discuss which objects may have a positive return on their investment and which may not.

PARENT OPTION

Discuss with your child the potential costs and benefits of collecting different items, such as coins, stamps, dolls, and other items. Encourage them to go online and find the price of different items they would like to collect. Remind them that purchasing collectibles is an expense to be added to their budget or spending plan. Also, remind them that the value of those collectibles is determined by how much someone else is willing to pay for them, not by the original purchase price. Have your child talk with someone who is a serious collector or professional antique appraiser to ask for advice before starting a collection. Find an article in the newspaper or read the classified ads to learn more about prices of various collectibles.

What's it's Worth?

Did you know that most items lose or gain value over time? Some products we use today are actually cheaper than they were 20 years ago — and some are more expensive. Some products gain in value because people want to collect them. For example, Babe Ruth's baseball card from his rookie year is very valuable today, but cost less than ten cents when it was initially sold. On the other hand, a computer that costs several hundred dollars today may be worth only pennies in ten years.

Select five different items that are important to you. Determine the current price of each item. You may want to look through the newspaper to find exact prices. Interview a family member or friend who remembers how much these items cost 25 years ago. Write a brief summary of why you think this price has changed and predict what you think the price will be 25 years from today.

Item 1

2005 Price 1970 price 2030 Price

Factors affecting price changes for this item

Item 2

2005 Price 1970 price 2030 Price

Factors affecting price changes for this item

Item 3

2005 Price 1970 price 2030 Price

Factors affecting price changes for this item

Item 4

2005 Price 1970 price 2030 Price

Factors affecting price changes for this item

Item 5

2005 Price 1970 price 2030 Price

Factors affecting price changes for this item

Coming next week: Major Purchases: Buying a Car

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