

NAME: _____

DATE: _____

ACTIVITY

Risk Strategy Sort

What + Why: Look at how people handle financial risk so you can figure out what each choice does when something goes wrong.

Instructions:

1. Read each investor scenario.
2. Select the best description for how each scenario handles risk:
 - Stays away from risk
 - Lowers the chance or impact of the risk
 - Covers the risk using their own money or resources
 - Shifts the risk to someone else
3. Come up with 1 or 2 words to describe the way each risk is handled.

Be ready to explain your choices using details from each scenario.

Scenario 1—Juanita

Juanita keeps \$15,000 in an FDIC-insured bank account (which means it's insured by the federal government). When the bank fails, her money is protected.

What is the best description of how this scenario handles risk?

- ☐ Stays away from risk
- ☐ Lowers the chance or impact of the risk
- ☐ Covers the risk using their own money or resources
- ☐ Shifts the risk to someone else

Come up with 1 or 2 words to describe how this risk was handled:

Scenario 2—Aarav

Aarav keeps \$15,000 in stocks. He has some money in savings just in case. The market drops and his investments aren't protected and lose value.

What is the best description of how this scenario handles risk?

- ☐ Stays away from risk
- ☐ Lowers the chance or impact of the risk
- ☐ Covers the risk using their own money or resources
- ☐ Shifts the risk to someone else

Come up with 1 or 2 words to describe how this risk was handled:

Scenario 3—Sofia

Sofia is interested in cryptocurrency but decides not to invest because she doesn't understand how it works.

What is the best description of how this scenario handles risk?

- ☐ Stays away from risk
- ☐ Lowers the chance or impact of the risk
- ☐ Covers the risk using their own money or resources
- ☐ Shifts the risk to someone else

Come up with 1 or 2 words to describe how this risk was handled:

Scenario 4—DeShawn

DeShawn has a \$1,000 emergency fund but chooses not to buy renters insurance. He believes he could pay to replace his belongings himself if something happened.

What is the best description of how this scenario handles risk?

- ☐ Stays away from risk
- ☐ Lowers the chance or impact of the risk
- ☐ Covers the risk using their own money or resources
- ☐ Shifts the risk to someone else

Come up with 1 or 2 words to describe how this risk was handled:

Scenario 5—Caleb

Caleb purchases long-term disability insurance to help replace a portion of his income if an illness or injury ever prevented him from working for an extended period.

What is the best description of how this scenario handles risk?

- ☐ Stays away from risk
- ☐ Lowers the chance or impact of the risk
- ☐ Covers the risk using their own money or resources
- ☐ Shifts the risk to someone else

Come up with 1 or 2 words to describe how this risk was handled:

Scenario 6—Elaine

Elaine just bought her first car. She takes a defensive driving course to reduce her chance of an accident, carries auto insurance in case one happens anyway, and keeps \$500 in savings to cover her deductible if she needs to file a claim.

What strategies does Elaine use to handle risk in this scenario?
Identify all that apply.

- ☐ Stays away from risk
- ☐ Lowers the chance or impact of the risk
- ☐ Covers the risk using their own money or resources
- ☐ Shifts the risk to someone else

What does it tell you that Elaine uses more than one risk strategy at the same time, and how might that be more effective than relying on just one?