Student Activities

Lesson Eight Saving and Investing



| name: | date: |
|-------|-------|
| | |



setting and prioritizing your financial goals

| short-range goal (within 1 month) | | |
|------------------------------------|----------------|----|
| Goal: | Objective | \$ |
| | Estimated Cost | \$ |
| | Target Date | \$ |
| | Monthly Amount | \$ |
| | | |
| medium-range goal (2-12 months) | | |
| Goal: | Objective | \$ |
| | Estimated Cost | \$ |
| | Target Date | \$ |
| | Monthly Amount | \$ |
| | · | |
| long-range goal (more than 1 year) | | |
| Goal: | Objective | \$ |
| | Estimated Cost | \$ |
| | Target Date | \$ |
| | Monthly Amount | \$ |

| name: | date: |
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calculating interest

directions

Write the answers to the following questions in the blanks provided. Use the space below each problem to show how you arrived at your answers.

1. If you put \$200 in a savings account that paid 5.5% simple interest each year, how much interest would you earn in five years?

2. If you put \$150 in a savings account that paid 6% compounded yearly, how much interest would you earn in five years?

3. If you put \$25 each month into a savings account that paid a simple interest rate of 6.5% each year, how much would you have in your account at the end of two years?

4. If you put \$10 each week into a savings account that paid 6% interest compounded yearly, how much money would you have in your account after three years? (Hint: Use 'How Much Will My Savings Grow' Calculator?)



selecting mutual funds

directions

For each of the investment situations below, select the type of mutual fund that would be most appropriate from this list:

Balanced Fund Income Fund

Global Bond Fund Industry Fund

Global Stock Fund Municipal Bond Fund

Growth Fund Regional Stock Fund

- **1.** A person wants an international mutual fund without the risks associated with stocks.
- **2.** An investor wants tax-exempt income from investments.
- **3.** An investor is interested in investing in health-care stocks.
- **4.** A person wants to invest in stocks from around the world.
- **5.** A person is interested in long-term growth for future financial security.
- **6.** An investor seeks to buy stock in companies located in Europe.
- **7.** A retired person desires investment earnings to provide for current living expenses.
- **8.** A person wants to invest in a blend of stocks and bonds.
- **9.** An investor wants to invest in debt instruments issued by state and local governments.
- **10.** A person expects growth of companies in Latin America.



test your knowledge of saving and investing

directions

Write the answers to the following questions in the blanks provided. Use the space below each problem to show how you arrived at your answers.

| problem to show how you arrived at your answers. | | | |
|--|---|--|--|
| 1. How long would it take to double your money in an account that paid 6% per year? | | | |
| 2. What interest rate would double your money in 5 years? | | | |
| In the space provided, write the letter of the s statement represents. | avings account or savings method the | | |
| a) Passbook account | d) Time deposit (Certificate of Deposit) | | |
| b) Statement account | e) Money-market deposit account | | |
| c) Interest-earning checking | | | |
| 3. A combination of a checking and complex structure, vary with the si | savings account. Interest rates, which are based on a ze of your balance. | | |
| 4. Combines the benefits of a checking and savings account. Interest is paid each month on unused money in the account. | | | |
| 5. You can only write a limited number | per of checks each month. | | |
| 6. Bank pays a fixed amount of intercof time. | est, on a fixed amount of money, for a fixed amount | | |
| 7. Penalty is usually charged if mone | y is withdrawn before expiration date. | | |

8. _____ Interest rate is usually lower than passbook or statement accounts.



test your knowledge of saving and investing (continued)

In the space provided, write the letter of the investment vehicle the statement represents.

| | a) Bonds | d) Real estate | |
|--|---|---|--|
| | b) Mutual funds | e) Keogh plan | |
| | c) Stocks | | |
| 9 | —— This type of investment offers an e | xcellent protection against inflation. | |
| 10. | A retirement plan for the self-empl | loyed. | |
| 11. | Issuer agrees to pay investors a fixed | d interest rate for a fixed period of time. | |
| 12. | You can contribute each year to thi | s tax-deferred account. | |
| 13. | Penalty is usually charged if money | is withdrawn before expiration date. | |
| 14. | Professionally managed portfolios rother investments. | made up of stocks, bonds, and | |
| 15. List the four most important factors to consider when shopping for a savings account. | | | |
| | | | |
| 16.] | List the four main differences between sa | ving and investing. | |

| name: | dat | ite: . | |
|-------|-----|--------|--|
| | | | |



lesson eight quiz: saving and investing

| tru | ie-false | r | | | |
|-----|---|--|-----------------------------------|--------------------------------------|--|
| 1. | | A certificate of deposit must be held for a set amount of time such as six months or a year | | | |
| 2. | | Compound interest refers to money earned from buying a tax-exempt investment. | | | |
| 3. | | A share of stock represents ownership in a company. | | | |
| 4. | | A mutual fund is an investment issued by a state or local government agency. | | | |
| 5. | | Treasury bonds are a safer investment than real estate. | | | |
| mu | ıltiple c | hoice | | | |
| 6. | | The lowest interest rate is usually | | A. 6 | |
| | | earned on a: | | B. 8 | |
| | | A. money-market account | | C. 9 | |
| | | B. passbook account | | D. 12 | |
| | | C. certificate of deposit | 0 | | |
| | | D. mutual fund | 9 | An example of a company's debt is a: | |
| 7. | | The total interest earned on \$100 for two years at 10 percent (compounded annually) would be: | | A. corporate bond | |
| | | | | B. share of stock | |
| | | | | C. mutual fund | |
| | A. \$2 B. \$21 | A. \$2 | | D. municipal bond | |
| | | 10 | The investment with the most risk | | |
| | C. \$11 D. \$10 | | | would be: | |
| | | | | A. a savings account | |
| 8. | | Based on the rule of 72, money | | B. U.S. Treasury bonds | |
| | earning 6 percent would take about years to double. | | | C. corporate stocks | |

case application

The Johnson family includes Marv (age 34), Gail (33), Andrew (8), and Molly (4). What are some investment goals that might be appropriate for this family? What types of investments might be used to achieve these goals?

D. corporate bonds