

Portfolio Power Bonus Question Cards

<p>Definition: This investment works like a checking account but pays interest. You can take your money out whenever you want. But you have a limit on how many checks you can write & the starting required balance is higher than a regular checking account.</p> <p>Answer: <i>Money Market Account</i></p>	<p>Definition: This investment is a debt obligation of the U.S. Treasury that has a maturity term of one year or less. Maturities for these are usually 91 days, 182 days, or 52 weeks, however these can be sold before maturity.</p> <p>Answer: <i>Treasury Bills</i></p>	<p>Definition: This investment is money you put in a bank or a credit union for which they pay you a little interest. There is no minimum balance and since the government guarantees the safety of this investment, the risk is low.</p> <p>Answer: <i>Savings Account</i></p>	<p>Definition: With this investment you are lending to a bank or credit union for a specific amount of time, such as 6 months or 2 years. The financial institution pays you a higher interest rate the longer the term, and there's a penalty if you want to take your money back early.</p> <p>Answer: <i>Certificate of Deposit</i></p>	<p>Definition: An investment company that pools money from several investors and uses the money to buy a particular type of investment, such as stocks and bonds. Funds are professionally managed and there are many different kinds of funds.</p> <p>Answer: <i>Mutual Fund</i></p>
<p>Definition: With this investment an issuer makes an agreement to owe the investor an amount of money after a set amount of time.</p> <p>Answer: <i>Bonds</i></p>	<p>Definition: This is an investment in a piece of property, such as land or a building.</p> <p>Answer: <i>Real Estate Investment</i></p>	<p>Definition: This is an investment that represents ownership in a company. In different types of companies (new firms versus startups, big versus small companies), these carry different levels of risk and return.</p> <p>Answer: <i>Stocks</i></p>	<p>Definition: This investment is in unique items that are relatively rare in number, such as works of art or antique cars.</p> <p>Answer: <i>Collectibles</i></p>	<p>Question: Gold, Silver, Platinum, and Palladium are all examples of what type of investment?</p> <p>Answer: <i>Precious Metals</i></p>
<p>True or False: When you invest in a CD (certificate of deposit) you may reclaim your money whenever you want.</p> <p>Answer: <i>False</i></p>	<p>True or False: It is a lot riskier to invest in real estate than it is to invest in Treasury Bills.</p> <p>Answer: <i>True</i></p>	<p>Question: Define diversification.</p> <p>Answer: <i>the reduction of investment risk by spreading your invested dollars among several different investments.</i></p>	<p>Question: Carleesha has an investment portfolio with stocks and real estate investments, while Jamal has a portfolio with bonds and treasury bills. Whose portfolio has a higher return rate?</p> <p>Answer: <i>Carleesha</i></p>	<p>Question: Martin has a small amount of money that he wants to put in a low-risk investment. Name one possible option.</p> <p>Answers: <i>Savings Account, CD, Treasury Bills, Money Market Account</i></p>

<p>Question: Define Liquidity.</p> <p>Answer: <i>the ease with which an investment can be turned into cash, without a significant loss of value.</i></p>	<p>Question: What does “risk” mean in the context of investing?</p> <p>Answer: <i>the degree of uncertainty about the expected return from an investment, including the possibility that some or all of the investment may be lost.</i></p>	<p>Question: What does “return rate” mean in the context of investing?</p> <p>Answer: <i>how fast your money grows. Sometimes investors use “interest rate” as a synonym for rate of return.</i></p>	<p>True or False: Investing in bonds is less risky than investing in precious metals.</p> <p>Answer: <i>False</i></p>	<p>Question: What is a dividend?</p> <p>Answer: <i>A portion of a company’s stock paid out to shareholders.</i></p>
<p>True or False: A shareholder can experience a capital gain every time dividends are paid out.</p> <p>Answer: <i>False. A capital gain is experienced only when the shareholder sells his or her stock for a price higher than the price for which it was bought.</i></p>	<p>Question: In the financial pages of the newspaper, what does the “Last” column represent?</p> <p>Answer: <i>The final stock price of the day.</i></p>	<p>Question: In the financial pages of the newspaper, what does the “Change” column represent?</p> <p>Answer: <i>How much the stock’s price changed from the previous day’s closing price.</i></p>	<p>Question: What is listed in the “stock” column in the financial pages of the newspaper?</p> <p>Answer: <i>The company’s stock symbol -- the name of the company in abbreviated form.</i></p>	<p>Question: If you buy a company’s stock, you:</p> <p>a. own a part of the company b. have lent money to the company c. are liable for the company’s debts</p> <p>Answer: <i>a</i></p>
<p>Question: Federal and state laws protect investors by requiring companies to:</p> <p>a. show profits before they can sell stock b. give investors important information c. pay dividends</p> <p>Answer: <i>b</i></p>	<p>Question: Jose invests in a mutual fund and bonds, while Sandra invests in treasury bills. Who diversifies their money more?</p> <p>Answer: <i>Jose because he spreads it out over more investments.</i></p>	<p>Question: Why is it important to invest using the principle of “diversification”?</p> <p>Answer: <i>Because there is less risk when you spread your money out among different investments.</i></p>	<p>Question: Assume Tony & Carmen invest in the same low-risk investment. Tony invests \$15,000 over 10 years and Carmen invests \$5,000 over 30 years? Who will earn more?</p> <p>Answer: <i>Carmen</i></p>	<p>True or False: When the economy is experiencing a “bull market,” this means that people are losing money on their stocks.</p> <p>Answer: <i>False</i></p>