

Risk and Reward

Class Activity

DIRECTIONS

Throughout your lifetime you will likely have many opportunities to invest your money in the hopes of earning interest (or dividends). Some options will give you a guaranteed return on your investment, but the interest rate will be quite low. Others, however, will offer the chance of making a high interest rate, but the risk of losing some or all of your money will be a real possibility. Some investment options you may encounter are listed below (along with a brief explanation). Using the table, categorize each one as either a physical asset, one of the types of financial assets, or as an investment that utilizes a combination of assets.

Government Bond

Like a loan to the government; repaid after a set time with a set interest rate

Blue Chip Stock

Stock from a large, well-established firm; risk and interest are generally low

Traditional IRA

Retirement account that invests in many things and is taxed upon payout

Certificate of Deposit (CD)

Money you allow a bank to use for a set time period with a set interest rate

Loan to a Small Business

You may earn a part of the firm's profits, but you will likely lose everything if it fails

401(k) Plan

Retirement account deducted from your salary, and it can have employer matching

Real Estate

If you own property, you can live in it, rent it, or sell it for a profit

Individual Stock

Owning stock means you own a share of the company's profits (or losses)

Mutual Fund

Investors buy a share of the mutual fund's "portfolio" of investments

Savings Account

Money you put in the bank that earns a low interest rate

Roth IRA

Retirement account that invests in many things and is taxed when money is paid in

Life Insurance Plan

A fund you pay into that provides money to your beneficiaries upon your death

Loan to a Family Member

Terms of personal loans vary, but are usually considered very risky

Pension Fund

Retirement fund that has both employee and employer contributions

Corporate Bond

Similar to a government bond, but is riskier and has higher interest rates

Gold or Silver

Commodity values are fairly erratic, but they will always be worth something

Money Market Account

A savings account with decent interest, but requires a large minimum balance

Physical Assets	Bank Deposits	Loans	Bonds	Stocks	Combination

DIRECTIONS

Using the investment options from the front side, list which investments you think you will utilize during the following decades of your adult life. For each one you choose, explain why you think that particular investment will be a good choice for that time in your life.

Twenties (Ages 20 - 29)

Investment Option One: _____

Explanation:

Investment Option Two: _____

Explanation:

Investment Option Three: _____

Explanation:

Thirties (Ages 30 - 39)

Investment Option One: _____

Explanation:

Investment Option Two: _____

Explanation:

Investment Option Three: _____

Explanation:

Forties (Ages 40 - 49)

Investment Option One: _____

Explanation:

Investment Option Two: _____

Explanation:

Investment Option Three: _____

Explanation:

Fifties (Ages 50 - 59)

Investment Option One: _____

Explanation:

Investment Option Two: _____

Explanation:

Investment Option Three: _____

Explanation:

Sixties (Ages 60 - 69)

Investment Option One: _____

Explanation:

Investment Option Two: _____

Explanation:

Investment Option Three: _____

Explanation:

Seventies (Ages 70 - 79)

Investment Option One: _____

Explanation:

Investment Option Two: _____

Explanation:

Investment Option Three: _____

Explanation: