

Name: _____ Period: _____

Investing-What does that mean?

1. What comes to mind when you think of the future?
2. Define Investing:
3. Any investment plan needs to start with a _____ Goal.
4. Define Risk:
5. Describe the relationship between risk and return.
6. List and describe 6 different Investment Vehicles using the first letter of the word.
 1. S
 2. B
 3. M
 4. R
 5. S
 6. C
7. Define a Certificate of Deposit or CD:
8. Describe Short Term Investing Strategies:
 - Buying on margin

 - Short selling
9. List and Describe Long Term Investing Strategies:
 - Diversification

-Dollar Cost Averaging

-Buy and Hold Technique

10. Define a Prospectus:

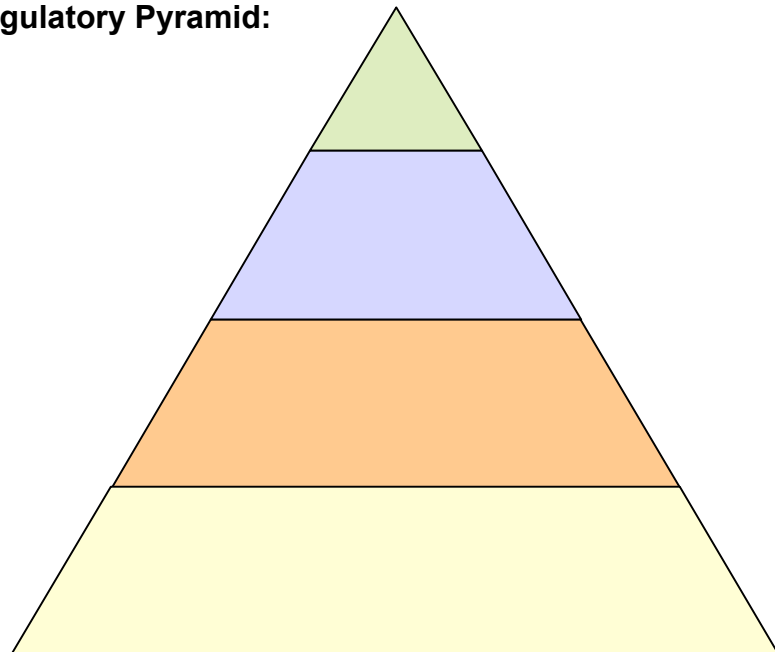
11. Define an Annual Report:

12. Brokers should be qualified and licensed by the:

13. Define a Full Service Broker:

14. Define a Discount Broker:

15. Draw and Label the Regulatory Pyramid:



Name: _____

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Investing-What does that mean? KEY

1. What comes to mind when you think of the future?

Student Answer will vary.

2. Define Investing: Investing is the purchase of assets with the goal of increasing future income.

3. Any investment plan needs to start with a

_____ **Goal.**

SMART (Specific, Measurable, Attainable, Realistic, Time bound)

4. Define Risk:

Risk is defined as the uncertainty about the outcome of an investment.

5. Describe the relationship between risk and return.

The higher the risk, the higher the return, the lower the risk, the lower the return.

6. List and describe 6 different Investment Vehicles.

1. Stocks (An investment that represents ownership in a company or corporation.)
2. Bonds (A security representing a loan of money from a lender to a borrower for a set time period, which pays a fixed rate of interest).
3. Mutual Funds (An investment that pools money from several investors to buy a particular type of investment, such as stocks.)
4. Real Estate (An investor buys pieces of property, such as land or a building, in hopes of generating a profit.)
5. Savings/Certificates of Deposits (A deposit that earns a fixed interest rate for a specified length of time.)
6. Collectibles (Unique items that are relatively rare or highly valued such as Art work, Baseball trading cards, Coins, Automobiles, Antiques)

7. Define a Certificate of Deposit or CD: is a deposit that earns a fixed interest rate for a specified length of time, the longer the time period the greater the rate of return; however, there is a substantial penalty for early withdrawal.

8. List and Describe Short Term Investing Strategies:

-Buying on margin (This is where an investor borrows part of the money needed to invest in a stock from a brokerage firm. There is a 50% margin requirement. For example, if you want to purchase \$2,000 worth of stock you can borrow up to \$1,000 to make the purchase.)

-Short selling (This is when an investor sells shares of stock that they do not own with the intent to buy them back later at a lower price)

9. List and Describe Long Term Investing Strategies:

- Diversification (This is spreading your assets among different types of investments to reduce risk or otherwise known as “Not putting all your eggs in one basket”)
- Dollar Cost Averaging (This is buying an equal amount of the same stock at equal intervals. The price you pay for the stock averages out over time.)
- Buy and Hold Technique (This is where an investor buys stock and holds on to it for a number of years. During that time you are paid dividends and the price of the stock may go up.)

10. Define a Prospectus:

Prospectus is a formal written offer to sell securities that sets forth a plan for a proposed business enterprise. A prospectus should contain the facts that an investor needs to make an informed decision.

11. Define an Annual Report:

An annual report is a document detailing the business activity of a company over the previous year, and containing an income statement, cash flow statement, and balance sheet.

12. Brokers should be qualified and licensed by the:

National Association of Securities Dealers, Inc. and pass an exam or series of exams that are administered by the NASD and must remain qualified through compliance and continuing education.

13. Define a Full Service Broker:

A full-service broker is an individual who knows you well and advises you on your investments.

14. Define a Discount Broker:

A discount broker is an individual who works for a firm and answer calls from various investors, assists the investors in placing orders to buy or sell without giving specific guidance or advice. These individuals provide limited services resulting in a lower cost

15. Draw and Label the Regulatory Pyramid:

