Name:

Date:

School:

Facilitator:

5.07 Comparing Investments

Total Points: 61

# Part 1

Part 1 Total Points: 45

Compare different types of investments by filling in the missing information in the chart below:

| **Investment** | **Risk** | **Return** | **How it Works** | **Advantage** | **Disadvantage** |
| --- | --- | --- | --- | --- | --- |
| **Stocks** | High |  | A small piece of ownership in a company; as the value of the company goes up, it pays dividends (profit) to investors. | Easy to track since the investment is in one company. |  |
| **Bonds** | Less than stocks, more than mutual funds |  |  | U.S. Treasury Bonds are seen as patriotic; better rates than CDs |  |
| **Mutual Funds** |  | Avg. 10–12% long term |  |  | Long-term investment; need to leave the money alone for a minimum of five years |
| **Rental Real**  **Estate** | High | Depends on market | A piece of property you own that another person lives in and pays you the rent |  |  |
| **Collectibles** | Low | Could be high if you acquire something valuable and hold onto it. |  | Many people enjoy collecting items and consider it a hobby. |  |
| **Futures Contracts** |  | Can vary greatly depending on the market |  | Potential to make a lot of money |  |

# Part 2

Part 2 Total Points: 8

**Based on your new knowledge of different types of investments, suggest an investment for each of the following situations. Write one sentence to explain your reasoning.**

1. John is saving for a down payment of his first house. He plans to purchase his home after he finishes college, gets married, and has a few years to get settled. Which investment would you suggest and why?

1. Nancy is retiring next year. She is looking for an investment that is low risk but still provides a small amount of return each year. Which investment would you suggest and why?

# Part 3

Part 3 Total Points: 8

Calculate the ROI or return on investment for each situation below using the formula for ROI. ROI = (Current Value of Investment – Cost of Investment)/Cost of Investment

1. Marty invested $10,000 at the beginning of the year. At the end of the year, his investment was worth $10,983. What was his ROI?
2. Joyce invested $550 at the beginning of the year. At the end of the year, her investment was worth $662. What was her ROI?