

Investments



A penny saved is a penny earned – Benjamin Franklin

Different Types of Investments

Banks:

1. Checking
2. Savings Account
3. Money Market Funds
4. CD's

Stocks:

Common Stock and Preferred

Mutual Funds – pooled savings invested in stocks, etc.

Bonds

Corporate and Government

Liquidity

- Liquidity is a measure of how easily something is converted to cash

RANKING (Most to least)

1. Cash
2. Bank checking
3. Bank savings account
4. Government Bonds
5. Stocks
6. Corporate Bonds
7. Bank Certificate of Deposits

Returns — what you earn on your investment

- RANKING (High to Low)
- 1. Stocks (historically around 10%)
- 2. Corporate bonds (4 to 7%)
- 3. Bank CD's (3 to 6%)
- 4. Government Bonds (2 to 5%)
- 5. Bank saving accounts (1 to 3%)
- 6. Bank checking accounts (0 to 1%)
- 7. Cash (0% and loss due to inflation)

Risk

- RANKING (Highest to lowest)
- 1. Stocks
- 2. Corporate Bonds
- 3 – 5. Bank: Saving & Checking Accounts and CD's (FDIC insured to \$250,000)
- 6. Cash (might lose it.)
- 7. Government Bonds

Stock Definitions

- OTC Market: electronic marketplace for stock that is not listed or traded on an organized exchange
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- capital gains: difference between a high selling price and a lower buying price, profit
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- brokerage firm: business that specializes in trading stocks
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- option: the contract that gives an investor the right to buy or sell stock
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- speculation: making high risk investments with borrowed money
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- Blue chip stocks: stocks of large reliable companies
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- daytrader: Someone who literally trades daily. Minute by minute basis to make a profit

How to read a stock page

www.win.net/econky/smg/... x

www.win.net/econky/smg/SMGguide/readingdata.pdf

1 / 2 85% Find

How to Read the Newspaper Stock Tables

52-week High and Low: These columns list the highest and lowest prices the stock reached over the last year, illustrating the range of prices investors were willing to pay.

Stock: The name of the stock is listed here. If the stock has a long name, it will be abbreviated to fit into the column. For example, Coca-Cola is often abbreviated as CocaCl. (Note: these are not ticker symbols.)

Dividend: This column indicates the current annual rate of the company's dividend payment.

PE: This column shows the stock's price in relation to its earnings (profits), known as the P/E ratio, shown as a multiple, based on the last four quarters.

(52 week) High	Low	Stock	Div.	PE	Vol 100s	Last	Change
11 1/2	7 1/8	Aaxx	.48	17	237	11 3/4	+ 1/8
10 3/4	8 1/2	Aayy	...	7	1024	9 1/2	- 1/8
75 1/2	44 3/8	Aazz	...	35	1523	72 7/8	+ 1 1/2

Vol 100s: This column shows the number of shares that were traded, x 100.

Last: Stock prices can rise and fall during any time when shares are traded. This column shows the final stock price of the day.

Change: This column shows how much the stock's price changed from the previous day's closing price.

More on stocks

- Dow Jones and S&P 500 are indexes that show the performance of limited but representative stocks. They are like a thermometer of the stock market.
- New York Stock Exchange: arranges stock and bond trading of the largest and most established companies in the United States.
- 1929 Crash was caused by speculation. It caused the average American citizen to shy away from buying stocks

Last Stock Tidbits

- Bull Market: overall stock prices on average are going up.
- Bear Market: Overall stock prices on average are going down.