



EQUITABLE



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Saving and investing

Name _____

Date _____

Setting and prioritizing your financial goals

Short-range goal (within 1 month)

Goal: _____

Objective: \$ _____
 Estimated cost: \$ _____
 Target date: \$ _____
 Monthly amount: \$ _____

Medium-range goal (2-12 months)

Goal: _____

Objective: \$ _____
 Estimated cost: \$ _____
 Target date: \$ _____
 Monthly amount: \$ _____

Long-range goal (more than 1 year)

Goal: _____

Objective: \$ _____
 Estimated cost: \$ _____
 Target date: \$ _____
 Monthly amount: \$ _____

Calculating interest

Directions: Write the answers to the following questions in the blank spaces provided. Use the space below each problem to show how you arrived at your answers.

1. If you put \$200 in a savings account that paid 5.5% simple interest each year, how much interest would you earn in 5 years?

2. If you put \$150 in a savings account that paid 6% interest compounded yearly, how much interest would you earn in 5 years?

3. If you put \$25 each month into a savings account that paid a simple interest rate of 6.5% each year, how much would you have in your account at the end of 2 years?

4. If you put \$10 each week into a savings account that paid 6% interest compounded yearly, how much money would you have in your account after 3 years? (Hint: use Save a Million Calculator.)

Selecting mutual funds

Directions: For each of the investment situations below, select the type of mutual fund that would be most appropriate from this list:

Balanced fund

Global stock fund

Income fund

Municipal bond fund

Global bond fund

Growth fund

Industry fund

Regional stock fund

1. A person wants an international mutual fund without the risks associated with stocks.

2. An investor wants tax-exempt income from investments.

3. An investor wants to invest in healthcare stocks.

4. A person wants to invest in stocks from around the world.

5. A person is interested in long-term growth for future financial security.

6. An investor seeks to buy stock in companies located in Europe.

7. A retired person desires investment earnings to provide for current living expenses.

8. A person wants to invest in a blend of stocks and bonds.

9. An investor wants to invest in debt instruments issued by state and local governments.

10. A person expects growth of companies in Latin America.

Test your knowledge of saving and investing

Directions: Write the answers to the following questions in the blanks provided. Use the space below each problem to show how you arrived at your answers.

1. A person wants an international mutual fund without the risks associated with stocks.

2. An investor wants tax-exempt income from investments.

In the space provided, write the letter of the savings account or savings method the statement represents.

- A.** Passbook account **B.** Statement account **C.** Interest-earning checking **D.** Time deposit (Certificate of Deposit) **E.** Money market deposit account

3. _____ A combination of a checking and savings account. Interest rates, which are based on a complex structure, vary with the size of your balance.
4. _____ Combines the benefits of a checking and savings account. Interest is paid each month on unused money in the account.
5. _____ You can only write a limited number of checks each month.
6. _____ Bank pays a fixed amount of interest, on a fixed amount of money, for a fixed amount of time.
7. _____ Penalty is usually charged if money is withdrawn before expiration date.
8. _____ Interest rate is usually lower than passbook or statement accounts.

Test your knowledge of saving and investing (continued)

In the space provided, write the letter of the savings account or savings method the statement represents.

- A.** Bonds **B.** Mutual funds **C.** Stocks **D.** Real estate **E.** Keogh plan

9. _____ This type of investment offers excellent protection against inflation.
10. _____ A retirement plan for the self-employed.
11. _____ Issuer agrees to pay investors a fixed interest rate for a fixed period of time.
12. _____ You can contribute each year to this tax-deferred account.
13. _____ Penalty is usually charged if money is withdrawn before expiration date.
14. _____ Professionally managed portfolios made up of stocks, bonds and other investments.

15. List the four most important factors to consider when shopping for a savings account.

16. List the four main differences between saving and investing.

Lesson 8 quiz: saving and investing

True/False

1. _____ A certificate of deposit must be held for a set amount of time, such as 6 months or a year.
2. _____ Compound interest refers to money earned from buying a tax-exempt investment.
3. _____ A share of stock represents ownership in a company.
4. _____ A mutual fund is an investment issued by a state or local government agency.
5. _____ Treasury bonds are a safer investment than real estate.

Multiple choice

- | | |
|--|--|
| <p>6. The lowest interest rate is usually earned on a:</p> <ul style="list-style-type: none"> A. money market account. B. passbook account. C. certificate of deposit. D. mutual fund. | <p>9. An example of a company's debt is a:</p> <ul style="list-style-type: none"> A. corporate bond. B. share of stock. C. mutual fund. D. municipal bond. |
| <p>7. The total interest earned on \$100 for 2 years at 10% (compounded annually) would be:</p> <ul style="list-style-type: none"> A. \$2. B. \$21. C. \$11. D. \$10. | <p>10. The investment with the most risk would be:</p> <ul style="list-style-type: none"> A. a savings account. B. U.S. Treasury bonds. C. corporate stocks. D. corporate bonds. |
| <p>8. Based on the rule of 72, money earning 6% would take about _____ years to double.</p> <ul style="list-style-type: none"> A. 6. B. 8. C. 9. D. 12. | |

Group activity

The Johnson family includes Marv (age 34), Gail (33), Andrew (8) and Molly (4). What are some investment goals that might be appropriate for this family? What types of investments might be used to achieve these goals?

Group activity

The Johnson family includes Marv (age 34), Gail (33), Andrew (16) and Molly (14). What are some investment goals that might be appropriate for this family? Discuss what short-term, mid-range and long-term goals each family member may have.

After each team has completed the exercise, present it to the group. You may have similarities or differences in which you should openly discuss your reasons. After you have identified their potential goals, discuss how each member may achieve their goal.

Marv

Short-term goals _____

Mid-range goals _____

Long-term goals _____

Gail

Short-term goals _____

Mid-range goals _____

Long-term goals _____

Andrew

Short-term goals _____

Mid-range goals _____

Long-term goals _____

Molly

Short-term goals _____

Mid-range goals _____

Long-term goals _____

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