

PUT YOUR MONEY TO WORK

Instructions: Select ONE of the four choices below.



A. Buy a United States Government Savings Bond

Your neighbor suggested that you purchase a U.S. Government Savings Bond. The Government is borrowing money from you and it will hold the money for eighteen years and then pay you about 5.6 % interest. You receive the interest when you cash in the bond.

Read the advantages and disadvantages of owning a U.S. Government Savings Bond before you make your decision.

Advantages:

1. This is a very safe investment.
2. The bond is backed by the United States Government.

Disadvantages:

1. You will receive a comparatively small amount of interest.
2. Your money is growing slowly.
3. If the things you want continue to get more expensive, you might not be able to buy them because the purchasing power of your money will not have kept up with price inflation.

B. Purchase a speculative stock



A cousin recommended that you buy a share of stock in the Flash and Glitz Corporation. Buying stock makes you one of the owners of the corporation. As in any public corporation, if the corporation does not grow as you expected and does not make money, the price of your stock may go down.

This company has a reputation for attracting investors who like to take great risks and get quick profits. It is, therefore, called a speculative stock. It is a firm that produces items that are trendy. This company sometimes earns great profits, but on other occasions has lost a great deal of money.

Read the advantages and disadvantages of owning a share of stock before you make your decision.

Advantages:

1. You become a part owner of the corporation.
2. You might be able to make a lot of profit in a very short time.
3. You can vote for the people who run the corporation (Board of Directors).
4. If the corporation grows and makes a lot of money, the price of your stock may go up and be worth more money.

Disadvantages:

1. This stock's price could go down very quickly and you can lose a great deal of money in a short period of time.
2. The company does not pay dividends on a regular basis.
3. The company does not have a stable rate of growth.

C. Buy a stock in a "blue chip" corporation



Your uncle told you to buy a share of stock in a "blue chip" corporation. Buying stock makes you one of the owners in the corporation. As in any public corporation, if the corporation does not grow as you expected and does not make money, the price of your stock may go down.

Your uncle tells you that you can be an owner in a big, successful corporation like McDonalds, IBM, Nike or Disney.

These corporations have solid financial histories and have good reputations in the business community.

Read the advantages and disadvantages of being a part owner (owning stock) of a public corporation before you make your decision.

Advantages:

1. You become a part owner of the corporation by buying stock.
2. If the company pays a dividend, you can receive cash (dividend) on your stock every three months.
3. Same advantages as in example B, numbers 3 and 4.

Disadvantages:

1. You are a part owner, but you do not run the business. The business is run by the Board of Directors.
2. If the corporation does not grow as you expected and does not make money, the price of your stock may go down.

D. Bank



Your aunt tells you to put your money in the bank where it is safe. You don't have to fear that your money will be lost or stolen. The bank gives you a fixed rate of interest for holding your money.

Read the advantages and disadvantages of putting money in the bank before you make your decision.

Advantages:

1. The government protects your money up to \$100,000 per account.
2. Your money will earn interest.

Disadvantage:

1. The interest you receive is a small amount over a long period of time.