*Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*

|  |  |  |  |
| --- | --- | --- | --- |
| **Investment** | Risk | Return | How It Works |
| **Government Bonds**  **Treasury Bonds** |  |  |  |
| **Government Bonds**  **Municipal Bonds** |  |  |  |
| **Corporate Bonds** |  |  |  |
| **Junk Bonds** |  |  |  |
| **Stocks** |  |  |  |
| **Mutual Funds** |  |  |  |

Reading Notes Chapter 8

Section 8.5

1. In your own words, explain how compounding works.
2. According to the rule of 72, if you deposit $100 in an account that pays 9% compound interest, how long will it take that initial deposit to reach $200?
3. Complete the graph on following page. For each type of investment, record this information:
   1. Is the risk high, moderate, or low?
   2. Is the return high, moderate, or low?
   3. How does this type of investment work? Explain in answer in one or two sentences.
4. On a separate piece of paper explain the following terms in your own words:
   1. Shareholders
   2. Dividend
   3. Bull market vs. bear market
   4. Brokerage
   5. Stock broker
   6. Stock market
   7. Prospectus
   8. Diversification
   9. Market index