

Section 1: Guided Reading and Review

Saving and Investing



A. As You Read

As you read Section 1, supply the missing information about the functions of the financial intermediaries in the chart below.

Financial Intermediaries	Functions
1. Banks, Savings and Loan Associations, Credit Unions	1. take in deposits from savers then lend out some of these funds to businesses and individuals
2. Finance Companies	2. make loans to consumers and small businesses
3. Mutual Funds	3. they collect money from many investors and invest in a variety of stocks, bonds and other financial assets
4. Life Insurance Companies	4. provide financial protection for the family members of the insured person
5. Pension Funds	5. income that a retired person gets after working a certain number of years or reaching a certain age

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B. Reviewing Key Terms

Complete each sentence by writing the correct key term in the blank provided.

6. Before putting money into mutual funds, a potential investor can review the fund's performance in its prospectus.
7. The use of assets to earn income or profit constitutes a(n) investment.
8. To transfer money between savers and borrowers, allowing investment to take place, an economy needs a(n) financial system.
9. Securities is another name for financial assets.
10. The lower the risk in an investment, the lower its return.
11. The collection of all one's financial assets makes up one's portfolio.



Section 2: Guided Reading and Review

Bonds and Other Financial Assets

A. As You Read

As you read Section 2, answer the questions on the lines provided.

1. How does an investor earn money by buying bonds at a discount? _____

2. What are Standard & Poor's and Moody's ratings based on? _____

3. What advantages do bonds offer to firms that issue them? _____

4. What disadvantage do bonds present for the issuer? _____

5. (a) What types of government bonds are available to investors? _____

(b) Which type offers the greatest tax advantage? _____

6. What three organizations help ensure value and prevent dishonesty in the bond market?

7. (a) What is the investment advantage of money market mutual funds over CDs and savings accounts? _____
(b) What is the disadvantage? _____
8. (a) In financial asset markets, how do capital markets differ from money markets? _____

(b) How do primary markets differ from secondary markets? _____

B. Reviewing Key Terms

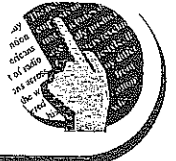
Define the following terms.

9. maturity the time when a payment is due to a bondholder
10. corporate bond a bond that a corporation gives to raise money to make business bigger
11. junk bond a lower-rated bond with the possibility of a high paying bond
12. coupon rate the interest rate that a person will pay to the person that gave the bond out

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Section 3: Guided Reading and Review

The Stock Market



A. As You Read

As you read Section 3, supply the missing information to complete each sentence in the spaces provided.

1. Income stocks pay dividends.
2. Growth stocks can be profitable because they it puts money back into the business and stock rises.
3. Investors experience capital gains when they sell a stock for more than what they bought it for.
4. Investors suffer capital losses when they sells a stock at a lower price than what they bought it for.
5. Stocks are riskier than bonds because the firm selling the stock may earn lower profits than expected or it may lose money.
6. Blue chip stocks are traded on the New York Stock Exchange.
7. A put option is the option to sell a stock at a certain time in the future.
8. During a bear market, investors sell because investors expect to have low profits due to a fall in the stock market.

B. Reviewing Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided. You will not use all the terms.

Column I

- F 9. steady, extended rise in stock market
- H 10. electronic marketplace for stock not listed on an organized exchange
- G 11. claims of ownership in a corporation
- I 12. making high-risk investments with borrowed money in the hope of getting a big return
- J 13. market for buying and selling stock
- A 14. person who links buyers and sellers of stocks
- D 15. 1929 collapse of the stock market
- E 16. business specializing in trading stocks
- B 17. contracts to trade stock at a specific price and time in the future

Column II

- a. stockbroker
- b. options
- c. bear market
- d. Great Crash
- e. brokerage firm
- f. bull market
- g. equities
- h. OTC market
- i. speculation
- j. stock exchange