**Investing Review Assignment**

40 marks

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

1. **Personal Investment Style**
   1. Complete the *Investor Self Test* and record your total score at the bottom of the test. \*Save this test to attach to your assignment when it is complete. (2)
   2. Assume you have $20 000 to invest. Using the investment risk weightings corresponding to the results of your investor profile self test, make a table that shows how much money you can allocate to each of the four investment risk categories. (4)

|  |  |  |
| --- | --- | --- |
| Score: Between 7 and 11 | Score: Between 12 and 16 | Score: Between 17 and 21 |
| Speculative 10%  Equity 30%  Fixed Income 40%  Cash/Equivalents 20% | Speculative 20%  Equity 40%  Fixed Income 30%  Cash/Equivalents 10% | Speculative 30%  Equity 50%  Fixed Income 10%  Cash/Equivalents 10% |

*Financial Vocabulary Review*

A **portfolio** can be defined as the range of investments that you own. A general rule is that people invest in a mix of higher and lower risk types of investments to maximize growth and reduce the risk of losing all their money.

When you practice **diversification** this means you are investing in a variety of investment methods/options and not “putting all of your eggs in one basket.”

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|  |  |
| --- | --- |
| How I would allocate $20 000 I had to invest…. | |
| Speculative |  |
| Equity |  |
| Fixed Income |  |
| Cash/Equivalents |  |
| TOTAL | **$20 000.00** |

* 1. Provide one investment option from each investment category that you would consider investing in. Explain why you would personally choose this type of investment. (4)

|  |  |  |  |
| --- | --- | --- | --- |
| Speculative | Equity | Fixed Income | Cash/Equivalents |
|  |  |  |  |

1. We have learned that we should be saving 5%-10% of our income. Explain why it is important to save. (2)
2. If our money is already set aside in a savings account, why risk it by investing in other things? (2)
3. List some of the things you might consider when determining what types of investments are right for you. Include at least three different points please. (3)
4. Explain how the phrase “Don’t put all of your eggs into one basket” relates to investing. (2)
5. Which of the following investment options would typically yield the **highest risk**?

Emerging Markets Mutual Funds (1)

Blue Chip Stocks

Canada Savings Bonds

Life Insurance

1. Which of the following investment options typically has the potential to yield the **highest returns**? (1)

Emerging Markets Mutual Funds

Blue Chip Stocks

Canada Savings Bonds

Life Insurance

1. Investing in antiques or collectibles would be an example of a \_\_\_\_\_\_\_\_\_\_\_\_\_ type of investment. (1)

Cash/Equivalents

Fixed Income

Equity

Speculative

1. A high interest savings account would be an example of a \_\_\_\_\_\_\_\_\_\_\_\_\_ type of investment. (1)

Cash/Equivalents

Fixed Income

Equity

Speculative

1. Corporate bonds and debentures would be an example of a \_\_\_\_\_\_\_\_\_\_\_\_\_ type of investment. (1)

Cash/Equivalents

Fixed Income

Equity

Speculative

1. Which type of share guarantees that the holder will receive their dividend payment first? (1)

Common Share

Preferred Share

Option Share

Coupon Share

1. Which of the following investment options involves lending money to a bank or credit union for a set period of time? (1)

Treasury Bill (T-Bill)

Strip Bond

Guaranteed Investment Certificate (GIC)

Canada Savings Bond

1. Which of the following investment options involves lending money to the government or a corporation for a set period of time? (1)

Bond

Stock

Credit

RESP

1. Money that you are paid in return for lending your money out is referred to as: (1)

Bail

Interest

Principal

Share

1. The term used to describe investing in a variety of investment options rather than just one type is: (1)

Portfolio

Diversification

Multiplicity

Investitures

1. When a company decides to share their profit with their shareholders this payment is referred to as a(n): (1)

Dividend

Interest Payment

Share

Drop-off

1. The original amount of money you invest is referred to as the: (1)

Accumulated value

Maturity value

Dividend

Principal

1. One unit or piece of a corporation is referred to as a: (1)

Corporate Unit

Dividend

GIC

Share

1. Which of the following investment options involves opening a special account that is used to help save for retirement? (1)

Canada Savings Bond

RRSP

RESP

GIC

1. Which of the following investment options involves pooling your investment money with other people so that a professional investor can make investments for you? (1)

RRSP

Growth Stocks

Mutual Funds

Corporate Bonds

1. **Money Math**
   1. If money can earn 8% per annum compounded annually, what is worth more? $600 000 now or one million dollars ten years from now? Show how you arrived at your answer. (2)
   2. What would be the **accumulated value** of an investment of $2500 that is compounded annually at a rate of 3.5% for 10 years? (2)
   3. Determine the **present value** of an investment that returns $10 000 five years from now. It was invested at a rate of 6% per annum compounded monthly. (2)

*Financial Vocabulary Review*

**Accumulated value** refers to the principal investment plus any interest that has accumulated over the investment period.

**Present value** refers to the initial principal investment.

**Compound interest** is interest that is added to the principal plus interest from the previous period.

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