Investing 101 Assignment

Complete all tasks below. Answer in full sentences whenever possible. Some questions are opinion-based, so there may not be one "right" answer, what matters is that your reasoning makes sense. Use examples from the lesson to support your answers when you can.

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1. Understanding Investments

a) Define investing in your own words.

b) List the four main types of investments covered in the lesson.

2. Stocks & Bonds

Explain the difference between a stock and a bond.

3. Real Estate

a) Describe how real estate can generate income.

b) Explain the difference between owning a home vs. investing in a REIT or real estate ETF.

4. Insurance

a) What is the purpose of insurance in investing and financial planning?

b) Give two examples of types of insurance and how they protect you financially.

5. Reflection / Application (Opinion-Based)

If you had $1,000 to invest today, which type of investment would you choose and why?

What factors would influence your decision, like risk, liquidity, or potential return?

<u>**Answer Key**</u>

1.
a) **Define investing:**

- **Answer:** Setting aside money to buy assets with the goal of making more money in the future.
  Any answer close to this is correct! Some may mention risk, potential returns, or types of assets, they're all valid.

  b) **Four main types of investments:**
    - **Answer:** Stocks, bonds, real estate, insurance

2.
a) **Difference between stock and bond:**

- **Answer:** Stocks = ownership in a company; Bonds = lending money to a company or government.
  Any answer that captures ownership vs. lending is correct.

3.
a) **How real estate generates income:**

- **Answer:** Renting property or selling it for more than you paid (capital gains).

b) **Owning a home vs. REIT/real estate ETF:**

- **Answer:** Owning a home = direct ownership; REIT/ETF = investing in a portfolio of properties without owning them.
  Students might give extra examples, like ease of selling REITs vs. a home. Both are correct if reasoning makes sense.

4.
a) **Purpose in investing/finance:**

- **Answer:** To protect against financial losses and manage risk.
  Students may mention auto, health, or life insurance as examples. That's correct.

b) **Two types of insurance and protection:**

- **Answer:** Examples: auto insurance (protects against car accidents), health insurance (covers medical expenses)
  Other types are valid too, like home, liability, or life insurance. Students just need to show how it protects financially.

5.

- **If you had $1,000 to invest today:**
  - **Answer:** Any type of investment is fine, stocks, bonds, real estate, or even a mix. What matters is that students explain **why** they chose it.

Factors influencing decision:

- **Answer:** Risk tolerance, liquidity, potential return, time horizon, personal goals, or location for real estate.
  There is no single correct answer. Students should show thoughtfulness and reasoning for their choices.