

THINK CRITICALLY

Handwrite your responses in the space below; 2 sentences each.

1. Describe two ways to make money from stocks.
2. Compare common stock with preferred stock.
3. Why are common stocks considered a risky direct investment? Why do common stockholders take more risk than preferred stockholders?
4. What is a business plan? Why is studying the business plan important when considering a business venture investment?
5. Why are collectibles considered high-risk investments?
6. What risks are associated with owning rental property?
7. What are two ways in which an investor can make money on rental property?
8. What is a futures contract? Give three examples of commodities.

9. How does a REIT work? Why is it safer than direct investment in real estate (owning rental property)?

10. What is an investment club?

IN DEPTH: High-Risk Investing

Suppose your investment portfolio is well balanced, with short-term investments, stocks, bonds, and mutual funds. You own your own home. Recently, you unexpectedly received a large sum of money. You want to take some risk and invest the money in hopes of making a high return.

1. Consider the investment options listed below. Select the option you would buy.

2. In the space below, give an advantage and a disadvantage of your choice. Give reasons you chose that option.
 - Buy rental real estate.
 - Pool your money with others in an investment club.
 - Invest in a small business venture.
 - Buy futures contracts for a commodity.
 - Buy a large number of shares in one corporation.
 - Buy a painting by a well-known, popular artist.