

### THINK CRITICALLY

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

1. Explain why having liquid savings is important.
2. Give three examples of options for liquid savings.
3. Why is a savings account considered a low-risk savings option?
4. How is a money market account different from a regular checking account?
5. Explain the purpose of early withdrawal penalties for CDs.
6. Why do some CDs pay higher interest rates than other CDs?
7. List several examples of low-risk savings and investing options.
8. When a bond sells at a discount, do you pay more or less than the face value of the bond? Why might a bond sell at a discount?
9. How are corporate bonds different from government bonds?

10. What is the purpose of a clearing account?
  
  
  
  
  
  
  
  
  
  
11. Explain how an annuity can help provide financial security during retirement.
  
  
  
  
  
  
  
  
  
  
12. How can an investment be considered low-risk if it is not insured?

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### **IN DEPTH: Low-Risk Investing**

Many people start investing with short-term and low-risk choices. They want the investments to be liquid so that they can get their money quickly if needed. In the two cases below, consider the risk and liquidity of savings and investing options. Give advice to each of the investors.

1. Antonio is working full-time. He started his first job 6 months ago. He pays his bills and has \$300 a month remaining. Rather than spend this money, Antonio has decided to set it aside for the future. He has signed an annuity contract whereby he will pay \$300 a month for the next 20 years. Then he will start receiving payments from the annuity, or he can leave the money there to gain more earnings until he retires. He has no savings account or other investments at this point. Has Antonio made a good investment choice? Are there other options that might be better for him to consider for his portfolio at this time?
  
  
  
  
  
  
  
  
  
  
2. Emiko is working part-time while she goes to college. Because she has a scholarship, she is able to save \$50 per month. Emiko has decided to leave the \$50 she saves each month in her checking account. While the account does not pay interest, she is able to avoid a monthly service fee of \$8 because she has enough money to meet minimum deposit requirements. What do you think of Emiko's decision? Are there other good options that she might consider for saving or investing her money?