What Is Investing? | Worksheet

Matching

Match the definition in Column A with the term in Column B.

Column A	Column B
_______ An investment that buys shares in a business	a. Bonds
_______ A place to put your money where it can grow over time	b. Certificate of Deposit (CD)
_______ To separate money into several different investments	c. Diversify
_______ An investment that loans money to a business or government	d. Investment
_______ An investment with low risk and a government guarantee	e. Stocks

Multiple Choice

1. **How do you make a profit from low-risk investments like CDs and bonds?**
    a. You earn interest
    b. They always go up in value
    c. You get paid dividends
    d. You sell them to your friends
2. **Which type of investment is a tangible, physical asset that typically goes up in value?**
    a. Stocks
    b. Bonds
    c. Cryptocurrency
    d. Real Estate
3. **Why is it important to diversify?**
    a. It minimizes the risk of losing all of your money
    b. It maximizes the risk of losing all of your money
    c. It minimizes the amount of taxes you will need to pay
    d. It maximizes your return on investment
4. **What are three things you should consider to make your investment profitable from the start?**
    a. Friends, feelings, and fun
    b. Timing, risk, and feelings
    c. Timing, risk, and price
    d. Timing, trends, and price

Application

You have saved enough money for a healthy emergency fund and now have an extra $1,000 that you'd like to invest. Read the three investment scenarios below and consider the risks and potential rewards. Which scenario below is the most responsible investment, considering the video you just watched?

Scan to watch episode:

A) Investing in a Certificate of Deposit	B) Investing in a stock market index fund	C) Investing in a cryptocurrency
You invest $1,000 in a one-year CD with a 2% interest rate. The bank will hold onto your money for a year, and at the end of the term, they will give you back your $1,000 plus interest.	You invest $1,000 in a diversified stock market index fund with an average annual return of 7% and plan to leave the money in the fund for ten years.	You invest $1,000 in a popular cryptocurrency with high volatility and potential for growth. You plan to monitor the value of the cryptocurrency over a year and sell if it increases in value by at least 30% or hold on to it if it does not.

Justify your choice in two to three sentences below, explaining your rationale.

What Is Investing? | Answer Key

Matching

Match the definition in Column A with the term in Column B.

Column A	Column B
e. An investment that buys shares in a business	a. Bonds
d. A place to put your money where it can grow over time	b. Certificate of Deposit (CD)
c. To separate money into several different investments	c. Diversify
a. An investment that loans money to a business or government	d. Investment
b. An investment with low risk and a government guarantee	e. Stocks

Multiple Choice

1. **How do you make a profit from low-risk investments like CDs and bonds?**
   a. You earn interest.
   b. They always go up in value.
   c. You get paid dividends.
   d. You sell them to your friends.
2. **Which type of investment is a tangible, physical asset that typically goes up in value?**
   a. Stocks
   b. Bonds
   c. Cryptocurrency
   d. Real Estate
3. **Why is it important to diversify?**
   a. It minimizes the risk of losing all of your money.
   b. It maximizes the risk of losing all of your money.
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   d. It maximizes your return on investment.
4. **What are three things you should consider to make your investment profitable from the start?**
   a. Friends, feelings, and fun
   b. Timing, risk, and feelings
   c. Timing, risk, and price
   d. Timing, trends, and price

Application Answer

B. Investing in a stock market index fund: You invest $1,000 in a diversified stock market index fund with an average annual return of 7% and plan to leave the money in the fund for ten years.