Business and Personal Finance © 2012

Chapter 17: Saving and Investing

Check Your Answers: Section Assessment

Section 1

Review Key Concepts
1. Money from paying yourself first; employer sponsored plans; elective savings programs; savings efforts; gifts, inheritances, windfalls.

2. Safety, which can mean low returns; and various risks, including: speculative investments; inflation risk; interest rate risk; business failure risk; financial market risk; global investment risk. Students may also discuss investment income, growth, and liquidity.

3. Establish a larger than usual emergency fund; know what you owe; reduce spending; pay off credit cards; notify credit card companies and lenders if you are unable to make payments; monitor the value of your investment and retirement accounts; do not panic.

4. Outlines will vary, but students should address these questions: How much money do I need to satisfy my goals? How long will it take to save the money? How much investment risk will I take? Are my goals reasonable, considering my circumstances or future circumstances? Am I willing to make sacrifices to save? What will happen if I do not meet my goals?

Higher Order Thinking.
5. Responses will vary. Some students may say they would make the same choice because of the potential for money in the long run. Others may say they would buy the TV because they are young and have time to make investments later.

English Language Arts
6. Offshore Investing Benefits may include: more favorable tax rates; asset protection; confidentiality; greater diversification. Drawbacks may include: strict tax laws for offshore investing; expensive to set up; some corporations may not be reputable.

Mathematics
7. Building Savings Monthly salary = $50,000/12 = $4,167.67; Monthly trip cost = $5,000/12 = $416.67; Total monthly expenses = $3,500 + $416.67 = $3,916.67; Net monthly income = $4,167.67 - $3,916.67 = $251.00 = monthly investment amount