

Chapter 32: Real Estate and Other Investment Options

I-Summary: This chapter discusses investment options including real estate. Real estate is land and anything attached to it, such as buildings or natural resources. For most Americans, real estate in the form of residential property is their largest financial asset. Residential property includes single-family homes, multi-unit housing, and manufactured homes. In general, residential property has been a good investment over time. Most people finance the purchase of residential property by obtaining a home mortgage loan. Income property is another form of real estate that people purchase to obtain income. This type of real estate includes rental property and undeveloped property. Other investment options include purchasing precious metals, precious gems, other commodities, and collectibles. These investments offer a way to diversify their investment plan. People profit from these types of investments by selling them for more than they purchased them for. However the value of these items can decrease after purchase resulting in a loss. People who invest in these types of investments should have a good understanding of the market for them.

I-Quiz

Quiz yourself to check your understanding. For each question, you will hear four answer choices. After you hear all four answer choices, choose your answer during the pause. Then you will hear the correct answer. Let's begin.

Question 1

Which is NOT true about purchasing homes as an investment?

- a. Homes always provide the greatest return on investment.
- b. Home prices have risen over the years.
- c. Homes are usually a person's largest financial asset.
- d. Homes fluctuate in value.

Question 2

Which is the most popular residential property?

- a. a townhouse
- b. a duplex
- c. a single-family home
- d. a manufactured home

Question 3

What do most people use to finance the purchase of a home?

- a. preferred stock
- b. common stock
- c. a bond
- d. a mortgage loan

Question 4

Which is NOT a possible cause for the price of gold to rise?

- a. war
- b. inflation
- c. international cooperation
- d. political unrest

Question 5

Which is NOT a reason precious gems appeal to investors?

- a. liquidity
- b. durability
- c. small size
- d. beauty

Answer Key

1. The correct answer is A, Homes always provide the greatest return on investment. The return on home ownership is not necessarily better than the return of other types of investments.

- 2.** The correct answer is C, a single-family home. More people purchase single-family homes than any other type of residential property.
- 3.** The correct answer is D, a mortgage loan. A home mortgage loan or a long-term property loan are commonly used to finance the purchase homes.
- 4.** The correct answer is C, international cooperation. The price of gold rises when people believe that war, political unrest, or inflation may affect the economy.
- 5.** The correct answer is A, liquidity. Precious gems may be difficult to turn into cash quickly and is a disadvantage to purchasing them as an investment.