

Section 1: Guided Reading and Review

Saving and Investing



A. As You Read

As you read Section 1, supply the missing information about the functions of the financial intermediaries in the chart below.

Financial Intermediaries	Functions
1. Banks, Savings and Loan Associations, Credit Unions	1.
2. Finance Companies	2.
3. Mutual Funds	3.
4. Life Insurance Companies	4.
5. Pension Funds	5.

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B. Reviewing Key Terms

Complete each sentence by writing the correct key term in the blank provided.

6. Before putting money into mutual funds, a potential investor can review the fund's performance in its _____.
7. The use of assets to earn income or profit constitutes a(n) _____.
8. To transfer money between savers and borrowers, allowing investment to take place, an economy needs a(n) _____.
9. Securities is another name for _____.
10. The lower the risk in an investment, the lower its _____.
11. The collection of all one's financial assets makes up one's _____.



Section 2: Guided Reading and Review

Bonds and Other Financial Assets

A. As You Read

As you read Section 2, answer the questions on the lines provided.

1. How does an investor earn money by buying bonds at a discount? _____

2. What are Standard & Poor's and Moody's ratings based on? _____

3. What advantages do bonds offer to firms that issue them? _____

4. What disadvantage do bonds present for the issuer? _____

5. (a) What types of government bonds are available to investors? _____

 (b) Which type offers the greatest tax advantage? _____

6. What three organizations help ensure value and prevent dishonesty in the bond market?

7. (a) What is the investment advantage of money market mutual funds over CDs and savings accounts? _____
 (b) What is the disadvantage? _____
8. (a) In financial asset markets, how do capital markets differ from money markets? _____

 (b) How do primary markets differ from secondary markets? _____

B. Reviewing Key Terms

Define the following terms.

9. maturity _____
10. corporate bond _____
11. junk bond _____
12. coupon rate _____

Section 3: Guided Reading and Review

The Stock Market



A. As You Read

As you read Section 3, supply the missing information to complete each sentence in the spaces provided.

1. Income stocks pay _____.
2. Growth stocks can be profitable because they _____.
3. Investors experience capital gains when they _____.
4. Investors suffer capital losses when they _____.
5. Stocks are riskier than bonds because _____.
6. Blue chip stocks are traded on the _____.
7. A put option is the option to _____.
8. During a bear market, investors sell because _____.

B. Reviewing Key Terms

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided. You will not use all the terms.

Column I

- ___ 9. steady, extended rise in stock market
- ___ 10. electronic marketplace for stock not listed on an organized exchange
- ___ 11. claims of ownership in a corporation
- ___ 12. making high-risk investments with borrowed money in the hope of getting a big return
- ___ 13. market for buying and selling stock
- ___ 14. person who links buyers and sellers of stocks
- ___ 15. 1929 collapse of the stock market
- ___ 16. business specializing in trading stocks
- ___ 17. contracts to trade stock at a specific price and time in the future

Column II

- a. stockbroker
- b. options
- c. bear market
- d. Great Crash
- e. brokerage firm
- f. bull market
- g. equities
- h. OTC market
- i. speculation
- j. stock exchange