

Section 12.1 – 2: Certificates of Deposit and Effective Annual Yield

Learning Targets: We are learning about investing in certificates of deposit at a banking institution as part of a diversified investment plan, how to calculate the future value of a CD and the annual yield of a CD.

Success Criteria: I can:

- Evaluate the future value of a CD
- Evaluate the effective annual yield of a CD

_____ earns a higher rate of interest than a regular savings account.

- Buy them for specific amounts such as \$500 or \$1000
- Leave the money in the CD for a specified time ranging from 3 months to 30 years.
- Penalized for early withdrawal
- Earn interest compounded daily, monthly, or quarterly

Amount at Maturity = _____ X _____

Interest earned = _____ - _____

Ex: Charles can invest \$5000 in a 1-year CD at 4 percent compounded monthly or a 1-year CD compounded daily. What is the difference earned in each investment?

You Try: Paul invests \$4000 in a 1 -year certificate of deposit that earns interest at an annual rate of 5 percent compounded monthly. How much interest will he earn at the end of 1 year?

_____ rate at which you money earns simple interest in one year

- Report the annual yield and the annual interest rates on CDs

_____ determined by the frequency of compounding (uses compound interest) and is usually stated as a percent earned by the investor who holds it over a period of time.

Effective Annual Yield = _____

Ex: Gerry can invest \$10000 at either 4.75 percent compounded daily for 4 years or 5 percent compounded quarterly for 1 year. Based on an effective annual yield, which is the better investment?

You Try: Randy invested \$5000 in a certificate of deposit for 3 years. The certificate earns interest at an annual rate of 6.25 compounded quarterly. What is the effective annual yield to the nearest thousandth of a percent?

Section 12.3 – 4: Stocks and Stock Dividends

Learning Targets: We are learning about what stocks are, how they are purchased, the costs involved with buying stocks and the monetary benefits of being a stockholder

Success Criteria: I can:

- Use the vocabulary related to stocks
- Calculate the cost of stocks alone and the total paid for stocks (including commission)
- Calculate the total dividend earned annually for being a stockholder
- Evaluate the annual yield for stocks

_____ Investment in which the purchaser gains part owner of a corporation by purchasing shares of the company

- * Stock prices are reported daily in newspapers and websites
- * Quoted in dollars and cents

_____ proof of ownership of a stock

_____ A financial representative or agent who charges a fee for carries out buying or selling requests from his/her investors

- * _____ a small percent of your investment or flat charge the stock broker collects for investing your money

Cost of Stock = _____ X _____

Total Paid = _____ + _____

Ex: Melanie purchased 100 shares of stock at \$106.30 per share. Her internet online stockbroker charged 2% commission. What is the total amount that she paid for the stock?

You Try: Georgia purchased 275 shares of stock at \$63.50 per share. Her stockbroker charged commission of \$0.10 per share. What is the total amount that she paid for the stock?

_____ A distribution of a portion of a company's earnings to its shareholders

* May receive an amount specified by the corporation for each share of stock that you own.

* _____ the annual return for holding a stock expressed as a percent of the price

* The higher the yield the greater the return on your investment during the year

Total Annual Dividend = _____ X _____

Annual Yield = _____

Ex: Pam bought 80 shares of Network Associates stock at \$24 per share. The company paid annual dividends of \$0.38 per share.

a. What is the total annual dividend?

b. What is the annual yield to the nearest hundredth of a percent?

You Try: Susana owns 100 shares of Wagon Inc. stock. The stock price ranged from a low of \$37.26 to a high of \$52.86 last year. The annual dividend is \$1.10 per share.

a. What are the annual yields based on the high and the low?

b. What is the total annual dividend?

Section 12.5: Buying & Selling Stocks

Learning Targets: We are learning that owning stocks can result in a profit or loss and that there is no guarantee of making money or insurance against losing money.

Success Criteria: I can:

- Calculate the amount paid for stocks (including commission)
- Calculate the amount received from the sale of stocks (accounting for commission)
- Determine whether a loss or profit has occurred and can calculate the amount of the profit or loss

When you invest in stocks (or any financial activity), it can either result in a profit or a loss.

_____ When the amount of revenue gained from financial activities exceeds the expenses & costs.

_____ When the amount of revenue gained from financial activities is less than the expenses and costs.

Net Sale = _____ - _____

Profit/ Loss = _____

Ex: Candace paid \$50/share for 90 shares of Buy More and paid a commission \$19.95 plus 5 cents per share. A few years later she sold the stock for \$63.20/share and paid a sales commission of \$39.95. What is the profit/ loss from the sale?

You Try: Bill paid a total of \$4,138 for 75 shares of Watson Parcels. He sold the stock for \$51.50 a share and paid a sales commission of \$39.45. What is the profit/ loss from the sale?

Section 12.6: Bonds

Learning Targets: We are learning about what bonds are and how they differ from stocks. We are also learning how to calculate the cost of a bond, how much annual interest is earned and the annual yield of a bond.

Success Criteria: I can:

- State the differences between stocks and bonds
- Calculate the cost of a bond, annual interest and annual yield of a bond

_____ Investment in which written pledges are issued by governments and corporations to repay a specific amount of money with interest at a certain time in return for lending them the money.

- You are not part owner of the corporation
- Lend money to a corporation or government and in return corporation or government pays you interest
- Maturity dates range anywhere from 10 to 30 years
- When bond is redeemed, receive amount printed on the bond
- Cost of a bond is a percent of the value
- Earn interest on the face value of the bond

Bond cost = _____ X _____

Annual Interest = _____ X _____

Annual Yield = _____

Ex: George purchased a \$2000 bond at the quoted price of 89.5. The bond paid interest at a rate of 6%.

a. Find the annual interest.

b. Find the cost of the bond.

c. Find the annual yield.

You Try: Elle purchased a \$7,500 bond at a quoted price of 91.5. The bond paid an interest rate of 5.25%.

a. Find the annual interest.

b. Find the cost of the bond.

c. Find the annual yield.