

Personal Management - Requirement 5

Explain to your merit badge counselor what the following investments are and how each works:

a - Common stocks

- Common stock is a ___security___ that represents ownership in a ___corporation___. Holders of common stock elect the board of ___director___ and vote on corporate ___policies___.

b - Mutual funds

- A mutual fund is a company that ___pools___ money from many ___investors___ and invests the money in securities such as ___stocks___, ___bonds___, and short-term ___debt___. The combined holdings of the mutual fund are known as its ___portfolio___. Each share represents an investor's part ownership in the fund and the ___income___ it generates.

c - Life insurance

- Life insurance is a ___contract___ in which an insurer, in exchange for a ___premium___, guarantees payment to an insured's beneficiaries when the insured ___dies___.
- ___Term___ life insurance is the most basic and affordable. You purchase it for a term, such as a ___year___. Usually it ___renews___ automatically. But if you do not renew, the policy ___ends___.

- Whole life insurance is a type of permanent insurance. It is more expensive. The premiums accumulate value. You can often borrow against the value or cash it in for its current value, although cashing it in will end the coverage.

d - A certificate of deposit (CD)

- A CD is an insured deposit which pays a fixed or variable income over a period of time, such as 3 years. The interest rate is a little better than a savings account, especially if you leave the money in longer. There may be a penalty if you take the money out too early.

e - A savings account

- A savings account is an insured account at a banking institution. These usually have the lowest interest rates. But the money is protected from loss and theft, and you can withdraw it at any time.

f - A U.S. savings bond

- A U.S. savings bond is a government bond offered to its citizens to help fund federal spending, and which provides savers with a guaranteed, although modest return on investment.