

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 ____ **ends** _____ 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.