Choices for Tomorrow

Read how investors balance possible growth and risk.

SS.4.FL.5 "Financial Investing"

NAME ______________________ DATE ____________

1 READ AND MARK

Read it twice

YOUR JOB Underline the sentences that tell what a stock or bond is, and circle the sentences that explain a risk or a way to lower risk.

Maya Thinks About Investing

1 After Maya earned money walking dogs, she did not need to spend all of it right away. She could save it in a bank account, where the money is usually safe but may grow slowly. She could also invest some money. Investing means putting money into something that may increase in value over time, but it can also lose value.

2 One investment is a stock. Buying a stock means owning a tiny part of a company. If the company does well, the stock price may rise, and an investor may earn money by selling it. A bond is different. An investor lends money to a business or government, which promises to repay the loan with interest. Bonds often have less risk than stocks.

3 Investments do not guarantee a profit. A company can struggle, and its stock price can fall. A borrower could have trouble paying a bond. Investors can lower some risk by spreading money among different investments, rather than putting all their money in one place. Before investing, people think about their goals, how long they can wait, and how much risk they can handle.

2 ANSWER WITH EVIDENCE

Use the passage

1. How is buying a stock different from buying a bond?

2. What might happen to a stock if its company struggles?

3. What can an investor do to lower some risk, and why does this help?

4. Explain why an investment does not guarantee a profit. Use one detail about stocks and one detail about bonds.

3 YOUR TURN

Your own words

Imagine you have $100 that you will not need for several years. Write exactly three sentences that tell whether you would choose stocks, bonds, or both, explain one possible gain and one risk, and tell how you could lower some risk.

Choices for Tomorrow

PART 1 · READ AND MARK

Underline the sentences that tell what a stock or bond is, and circle the sentences that explain a risk or a way to lower risk. Accept any marking that follows this job and points at the right text.

PART 2 · ANSWERS

#	QUESTION	ANSWER
1	How is buying a stock different from buying a bond?	**A stock gives the investor ownership of a tiny part of a company. A bond means the investor lends money to a business or government.**
2	What might happen to a stock if its company struggles?	**The stock price may fall.**
3	What can an investor do to lower some risk, and why does this help?	**The investor can spread money among different investments. This avoids putting all the money in one place.**
4	Explain why an investment does not guarantee a profit. Use one detail about stocks and one detail about bonds.	**A struggling company can cause a stock price to fall. Also, a borrower could have trouble paying a bond.**

PART 3 · YOUR TURN (SAMPLE ANSWER)

I would put some of my $100 in stocks and some in bonds because I can wait several years. Stocks might rise in value, but a struggling company could make their price fall. Using both investments spreads my money and lowers some risk.

Accept accurate explanations that stocks involve ownership and may rise or fall, while bonds involve lending money and repayment with interest. For the open response, accept any reasonable choice that includes a possible gain, a risk, and a valid way to spread risk.