

Chapter 10
Planning for Retirement

Section 10-5A

Investment Diversification

Objective: Compare

How can you get your money to work hard for you? †

- What are the disadvantages of keeping your money in a safe in your home?
- What are the various ways your money can be invested?
- What are the risks associated with investments?
 - ❖ Income may not be
 - ❖ You may
- What are some advantages?
 - ❖ Keep up with
 - ❖ Improve
 - ❖ Retire

Vocabulary

- Liquidity
 - ❖ The ease that you can turn an
 - ❖ Easiest:
 - ❖ Hardest:
- Investment Risk
 - ❖ It is the measure of how variable the
 - ❖ Higher Risk –
 - ❖ Most risky:
 - ❖ Very risky investments are called

- ❖ Lower Risk –
- ❖ Least risky: CDs
- Speculative Stock
 - ❖ It is stock in a
 - ❖ It's more likely than not you'll

Example 1

Amelia is planning to invest a \$90,000 inheritance she received. She plans on investing: 20% into a growth stock, 25% into an income stock, 15% into corporate bonds, the remainder into a 10-year certificate of deposit (CD) How much money will she be allocating to each category of investment?

Growth stock:

Income stock:

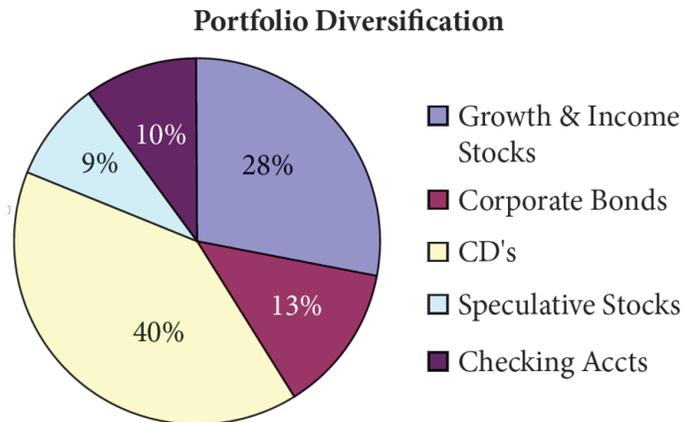
Corporate bonds:

CD:

Example 2 on back →

Example 2

A year ago, Kaitlyn invested a \$250,000 inheritance she received from her nana, as shown in the following graph.



Earnings were:

- Growth and income stocks 21%**
- Corporate bonds 8%**
- CDs 2%**
- Speculative stocks lose 88%**
- Checking account grows 1%**

a. How much was invested in each?

Growth and income:

Corporate bonds:

CDs:

Speculative Stocks:

Checking account:

b. How much was did each investment earn/lose?

Growth and income:

Corporate bonds:

CDs:

Speculative Stocks:

Checking account:

c. How much did she earn/lose on her investment portfolio?

Example 3

Claire has \$12,000 she would like to invest for the next 4 years. She is considering purchasing 240 shares of stock in Castellano Corporation preferred stock. The annual dividend is \$1.84 per share.

a. What is the annual dividend for all of the shares?

b. What is the total dividend for all 4 years?

c. She sold the stock at the end of 4 years for \$10,500. What was her gain/loss on the stock?

d. What was her total gain/loss on the stock?

Assignment 10-5A

Read Pages 642 to 645

Do Page 648: # 2-5

(skip 5e)