

Investing



- 1 Why do you think investing is important for financial planning?
- 2 What are some common types of investments you are familiar with?
- 3 Have you ever faced any risks or challenges while making investments?

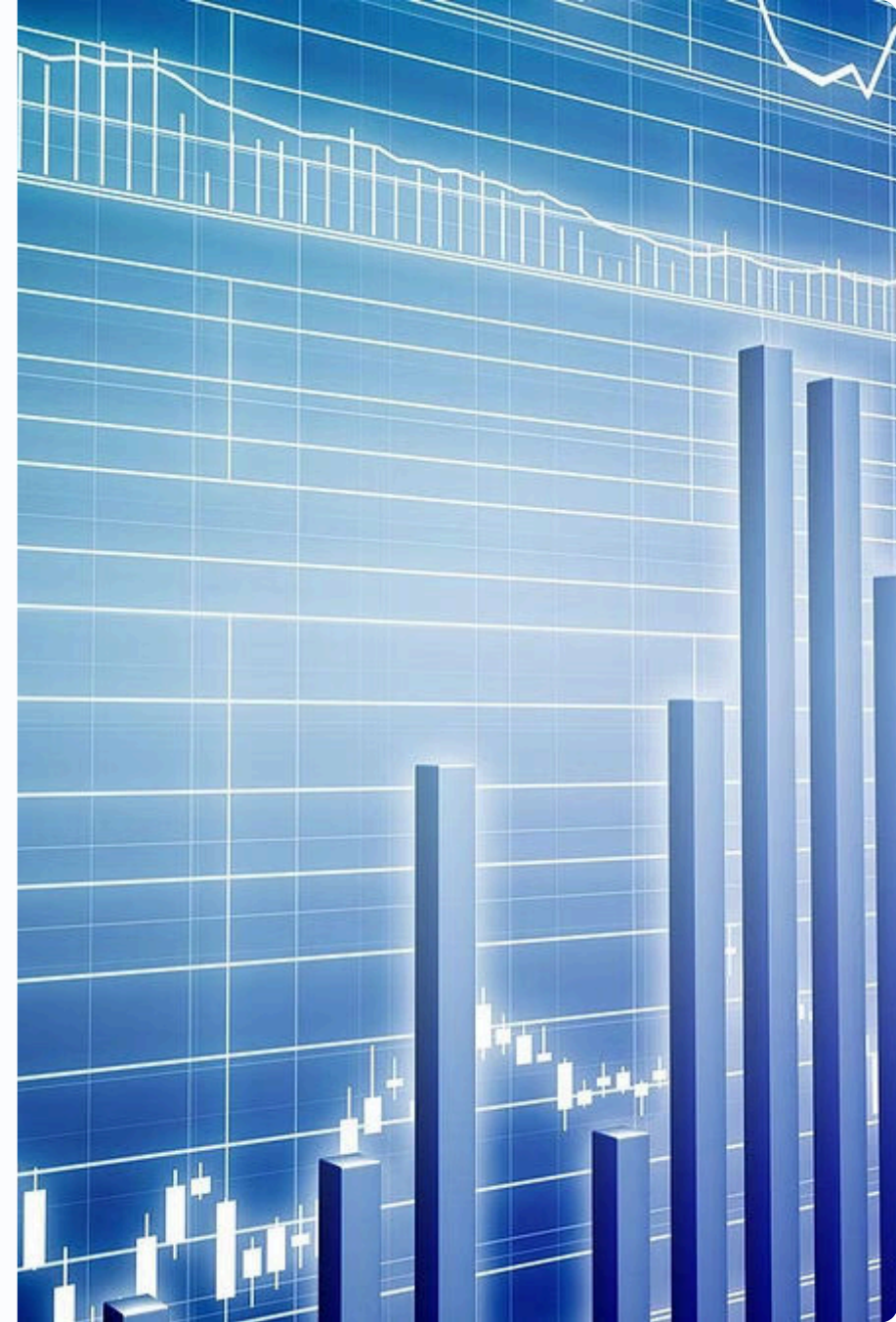


Stocks

Shares representing ownership in a company

- 1 What are dividends, and how do they benefit shareholders?
- 2 How does the stock market work?
- 3 Why is it important for investors to research a company's performance before buying stocks?

Sub-vocabulary: dividends, shareholders, stock market



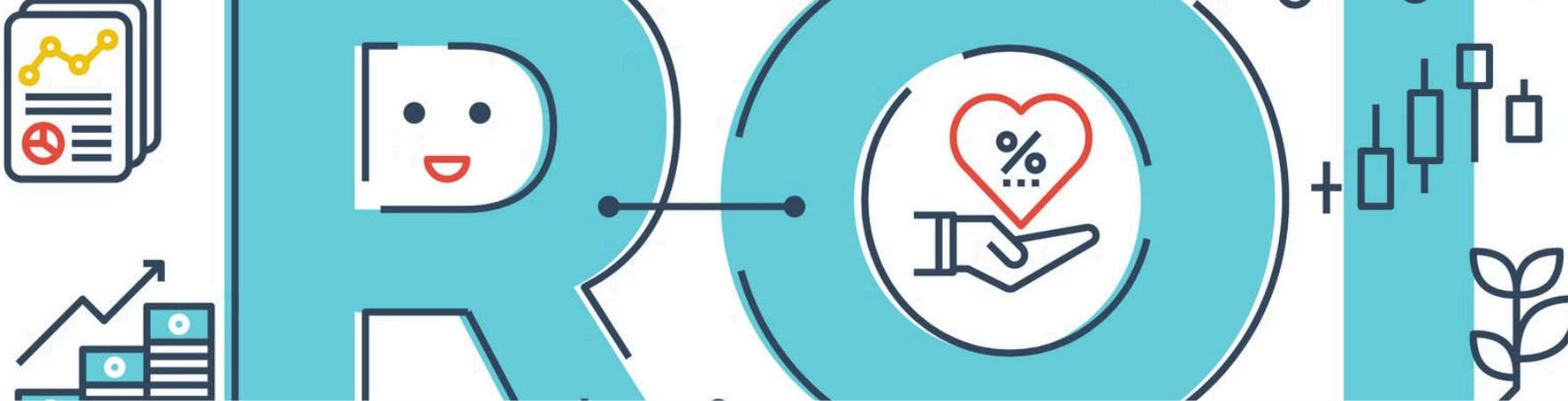


Portfolio

Collection of investments owned by an individual or organization

- 1 What is diversification, and why is it important in a portfolio?
- 2 How can asset allocation help minimize risks in a portfolio?
- 3 What are some strategies for effective risk management in a portfolio?

Sub-vocabulary: diversification, asset allocation, risk management



ROI (Return on Investment)

Measure of the gain or loss generated on an investment relative to the amount invested

How do you calculate the return on investment for a particular investment?

1

2

What factors can influence the ROI of an investment?

Why is analyzing the profitability of an investment essential for investors?

3

Diversification

Spreading investment funds across different assets to reduce risk

1

What are some benefits of diversifying your investment portfolio?

2

How can sector diversification help mitigate risks in a portfolio?

3

In what ways can geographic diversification enhance the stability of a portfolio?

Sub-vocabulary: asset classes, sector diversification, geographic diversification

Bonds

Debt securities issued by governments or corporations

1

What is the significance of the maturity date in bond investments?

2

How does the coupon rate affect the return on bonds?

3

What role does the bond market play in the overall financial system?

Sub-vocabulary: coupon rate, maturity date, bond market





Risk

Chance of financial loss or uncertainty in an investment

- 1 How can investors assess their risk tolerance before making investment decisions?
- 2 What are some strategies to manage market risk in investments?
- 3 How does inflation risk impact the purchasing power of investments over time?

Sub-vocabulary: market risk, inflation risk, risk tolerance



Asset

Anything of value owned by an individual or company

- 1 What are examples of tangible assets investors may choose to invest in?
- 2 How do financial assets differ from tangible assets?
- 3 Can you provide examples of intangible assets that hold value for businesses?

Sub-vocabulary: financial assets, tangible assets, intangible assets



Market

Where buyers and sellers trade assets like stocks, bonds, and commodities

- 1 How do market conditions influence investment decisions?
- 2 What are the key differences between the stock market and the real estate market?
- 3 How can investors stay informed about market trends and developments?

Sub-vocabulary: stock market, real estate market, financial markets

Return

Profit or loss generated from an investment

- 1 What factors can contribute to positive returns on investments?
- 2 How does compound interest impact long-term investment returns?
- 3 Can you explain how dividend yield is calculated and its significance for investors?

Sub-vocabulary: capital gains, dividend yield, compound interest





Liquidity

Ease with which an asset can be bought or sold in the market without affecting its price

- 1 Why is liquidity important for investors when choosing investments?
- 2 What are some examples of liquid assets that can be easily traded?
- 3 How can liquidity risk impact an investor's ability to access funds when needed?

Sub-vocabulary: liquid assets, illiquid investments, liquidity risk

Dividend

Distribution of a portion of a company's earnings to its shareholders

- 1 How can dividend reinvestment help investors grow their portfolios?
- 2 What is the significance of the ex-dividend date for shareholders?
- 3 How is the dividend payout ratio calculated, and why is it important for investors?

Sub-vocabulary: dividend reinvestment, ex-dividend date, dividend payout ratio




Inflation

Increase in the prices of goods and services over time, leading to a decrease in purchasing power

- 1 How does inflation erode the value of money over time?
- 2 What are some investment strategies to protect against inflation?
- 3 Can you explain how inflation-adjusted returns help investors assess the true performance of their investments?

Sub-vocabulary: inflation rate, deflation, inflation-adjusted returns





RETIREMENT

401(k) (Retirement Savings)

Retirement savings plan offered by employers in the US, allowing employees to contribute a portion of their salary. This has different names depending on location.

1

What are the benefits of contributing to a 401(k) plan?

2

How does an employer match program enhance an employee's 401(k) contributions?

3

What factors should individuals consider when determining their 401(k) contributions?

Sub-vocabulary: employer match, Roth 401(k), contribution limits

ETFs (Exchange-Traded Funds)

Investment funds that are traded on stock exchanges

1 How do ETFs differ from traditional mutual funds in terms of trading and fees?

2 What are the advantages of investing in index ETFs for passive investors?

3 How can sector ETFs provide diversification opportunities for investors?

Sub-vocabulary: index ETFs, sector ETFs, expense ratio

Capital Gain

Profit gained from the sale of an investment or asset for a higher price than its purchase cost

- 1 What factors determine whether a capital gain is considered short-term or long-term?
- 2 How is the capital gains tax applied to investment profits?
- 3 Can you explain the concept of realizing capital gains through asset sales?

Sub-vocabulary: short-term capital gains, long-term capital gains, capital gains tax



Lesson preview | Investing

1. Why do you think investing is important for financial planning?
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Core Vocabulary Words about Investing:

1.) Stocks - Shares representing ownership in a company.

- a) What are dividends, and how do they benefit shareholders?
- b) How does the stock market work?
- c) Why is it important for investors to research a company's performance before

2. Portfolio - Collection of investments owned by an individual or organization.

- a) What is diversification, and why is it important in a portfolio?
- b) How can asset allocation help minimize risks in a portfolio?
- c) What are some strategies for effective risk management in a portfolio?

3.) ROI (Return on Investment) - Measure of the gain or loss generated on an investment relative to the amount invested.

- a) How do you calculate the return on investment for a particular investment?
- b) What factors can influence the ROI of an investment?
- c) Why is analyzing the profitability of an investment essential for investors?

4.) Diversification - Spreading investment funds across different assets to reduce risk.

- a) What are some benefits of diversifying your investment portfolio?
- b) How can sector diversification help mitigate risks in a portfolio?
- c) In what ways can geographic diversification enhance the stability of a portfolio?

5.) Bonds - Debt securities issued by governments or corporations.

- a) What is the significance of the maturity date in bond investments?
- b) How does the coupon rate affect the return on bonds?
- c) What role does the bond market play in the overall financial system?

6.) Risk - Chance of financial loss or uncertainty in an investment.

- a) How can investors assess their risk tolerance before making investment decisions?
- b) What are some strategies to manage market risk in investments?
- c) How does inflation risk impact the purchasing power of investments over time?

7.) Asset - Anything of value owned by an individual or company.

- a) What are examples of tangible assets investors may choose to invest in?
- b) How do financial assets differ from tangible assets?
- c) Can you provide examples of intangible assets that hold value for businesses?

8.) Market - Where buyers and sellers trade assets like stocks, bonds, and commodities.

- a) How do market conditions influence investment decisions?
- b) What are the key differences between the stock market and the real estate market?
- c) How can investors stay informed about market trends and developments?

9.) Return - Profit or loss generated from an investment.

- a) What factors can contribute to positive returns on investments?
- b) How does compound interest impact long-term investment returns?
- c) Can you explain how dividend yield is calculated and its significance for investors?

10.) Liquidity - Ease with which an asset can be bought or sold in the market without affecting its price.

- a) Why is liquidity important for investors when choosing investments?
- b) What are some examples of liquid assets that can be easily traded?
- c) How can liquidity risk impact an investor's ability to access funds when needed?

11.) Dividend - Distribution of a portion of a company's earnings to its shareholders.

- a) How can dividend reinvestment help investors grow their portfolios?
- b) What is the significance of the ex-dividend date for shareholders?
- c) How is the dividend payout ratio calculated, and why is it important for investors?

12.) Inflation - Increase in the prices of goods and services over time, leading to a decrease in purchasing power

- a) How does inflation erode the value of money over time?
- b) What are some investment strategies to protect against inflation?
- c) Can you explain how inflation-adjusted returns help investors assess the true performance of their investments?

13.) 401(k) - Retirement savings plan offered by employers in the US, allowing employees to contribute a portion of their salary.

- a) What are the benefits of contributing to a 401(k) plan?
- b) How does an employer match program enhance an employee's 401(k) contributions?
- c) What factors should individuals consider when determining their 401(k) contributions?

14.) ETFs (Exchange-Traded Funds) - Investment funds that are traded on stock exchanges.

- a) How do ETFs differ from traditional mutual funds in terms of trading and fees?
- b) What are the advantages of investing in index ETFs for passive investors?
- c) How can sector ETFs provide diversification opportunities for investors?

15.) Capital Gain - Profit gained from the sale of an investment or asset for a higher price than its purchase cost.

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- b) How is the capital gains tax applied to investment profits?
- c) Can you explain the concept of realizing capital gains through asset sales?

Sub Vocabulary Preview

Sub-vocabulary for Stocks:

- **Dividends:** Payments made by a company to its shareholders from its profits.
- **Shareholders:** Individuals or entities that own shares in a company.
- **Stock Market:** A platform where stocks and other securities are bought and sold.

Sub-vocabulary for Portfolio:

- **Diversification:** Spreading investments across different assets to reduce risk.
- **Asset Allocation:** Distributing investments across various asset classes.
- **Risk Management:** Strategies to minimize the impact of risks on investments.

Sub-vocabulary for ROI (Return on Investment):

- **ROI Formula:** Calculation method to determine the return on an investment.
- **Investment Analysis:** Evaluation of investment options to make informed decisions.
- **Profitability:** Ability of an investment to generate profits.

Sub-vocabulary for Diversification:

- **Asset Classes:** Different categories of assets like stocks, bonds, or real estate.
- **Sector Diversification:** Spreading investments across various industry sectors.
- **Geographic Diversification:** Investing in different regions to reduce geographical risk.

Sub-vocabulary for Bonds:

- **Coupon Rate:** Interest rate paid by the issuer of a bond to the bondholder.
- **Maturity Date:** Date when the principal amount of a bond is due to be repaid.
- **Bond Market:** Where bonds are bought and sold among investors.

Sub-vocabulary for Risk:

- **Market Risk:** Risk associated with general market conditions affecting investments.
- **Inflation Risk:** Risk of investments losing value due to inflation.
- **Risk Tolerance:** Individual's ability to handle risks associated with investments.

Sub-vocabulary for Asset:

- **Financial Assets:** Assets like stocks, bonds, or cash that have monetary value.
- **Tangible Assets:** Physical assets like real estate, machinery, or equipment.
- **Intangible Assets:** Non-physical assets like patents, copyrights, or brand value.

Sub-vocabulary for Market:

- **Stock Market:** Market for trading stocks and securities.
- **Real Estate Market:** Market for buying and selling properties.
- **Financial Markets:** Comprehensive markets where various financial instruments are traded.

Sub-vocabulary for Return:

- **Capital Gains:** Profits earned from selling investments/assets above the purchase price.
- **Dividend Yield:** Percentage of dividends paid relative to the stock price.
- **Compound Interest:** Interest calculated on the initial principal and the interest accumulated over time.

Sub-vocabulary for Liquidity:

- **Liquid Assets:** Assets that can be quickly converted into cash without significant value loss.
- **Illiquid Investments:** Investments that are not easily sold or converted into cash.
- **Liquidity Risk:** Risk associated with the inability to sell an asset quickly without loss.

Sub-vocabulary for Dividend:

- **Dividend Reinvestment:** Strategy of using dividends to buy more shares of the company.
- **Ex-Dividend Date:** Date after which a shareholder is not entitled to the latest declared dividend.
- **Dividend Payout Ratio:** Ratio of dividends paid by a company relative to its net income.

Sub-vocabulary for Inflation:

- **Inflation Rate:** Rate at which prices increase in an economy.
- **Deflation:** Decrease in the general price level of goods and services.
- **Inflation-Adjusted Returns:** Investment returns adjusted for inflation to reflect true value.

Sub-vocabulary for 401(k):

- **Employer Match:** Employer's contribution matching an employee's contribution to a 401(k) plan.
- **Roth 401(k):** Variation of the traditional 401(k) where contributions are made after-tax.
- **Contribution Limits:** Maximum amount an individual can contribute to a 401(k) plan in a year.

Sub-vocabulary for ETFs (Exchange-Traded Funds):

- **Index ETFs:** ETFs that track a specific stock market index.
- **Sector ETFs:** ETFs that focus on a particular industry sector or segment.
- **Expense Ratio:** Percentage of an ETF's assets used to cover management and operational costs.

Sub-vocabulary for Capital Gain:

- **Short-term Capital Gains:** Profits from investments held for one year or less.
- **Long-term Capital Gains:** Profits from investments held for more than one year.
- **Capital Gains Tax:** Tax imposed on the profit gained from selling investments/assets.