

Stocks, Bonds, and Mutual Funds

Although savings and annuities are considered safe investments, some of the riskier investments can offer better returns over a longer period of time. These investments include _____, _____, and _____. Certain factors can impact the value of these investments such as the success of companies, the economic and political climate, interest rates, taxes, and unemployment.

Stocks

Companies that go public can sell ownership in their company in the form of _____.

- A _____ is a unit of ownership in a particular company.
- _____ are amounts sometimes paid on a quarterly basis to shareholders from profits made by the company over the previous period.
- Most stocks are traded on the New York Stock Exchange (NYSE) or the National Association of Securities Dealer Automated Quotations (NASDAQ).
- Stock transactions can be done by an individual, especially now with online access; these transactions many times have a flat fee for each transaction. Stock transactions can also be carried out by a stockbroker who usually charges a commission fee.

Sample 1

52-WEEK		STOCK	DIV	YLD%	PE	VOL 100s	CLOSE	NET CHG
HIGH	LOW							
42.97	33.32	T	1.60	4.20	19.56	228,944	37.88	-0.04
42.95	26.99	ETE	2.20	6.90	20.97	1,077	32.00	-0.02
36.79	26.30	DIS	0.35	1.10	15.67	152,261	32.49	+0.17

Use the stock listings in the table above to answer the following questions:

- How many shares of Disney (DIS) stock were traded on this day?
- What was the closing price of a share of Disney stock?
- Is the closing price of Disney stock higher or lower than the previous day?
- What was the price of a share of Disney stock on the previous day?
- What was the percent decrease between the high and low of Disney stock over the past 52-week period?
- If you owned 25 shares of Disney stock, how much will you receive in dividends for the quarter?

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- g. PE represents the price to earnings ratio. What would be the earnings per share for Disney stock?
- h. How can the PE values of the three stock options be used to recommend stock options?
- i. Suppose you purchased 50 shares of Energy Transfer Equity (ETE) at its lowest price in the last 52-Week period and sold it on this day. You paid \$9.95 for an online fee for each transaction. Determine if you made or lost money. Show calculations to back up your conclusion.

Mutual Funds

For some, an easier way to invest in the stock market is to invest in a group of stocks managed by a professional who develops a portfolio of various stocks and bonds called a _____. A fee is paid to the manager of the portfolio. Invested funds from several investors are pooled and the fund manager buys and sells stock to try and achieve the best return for the investors.

Bonds

Three types of _____ are available to the public: treasury bonds (issued by federal government), municipal bonds (issued by state and local governments), and corporate bonds (issued by corporations). All bonds are a type of loan to governments or corporations that they agree to pay back to investors with interest. Bonds earn simple interest which is paid in addition to the face value of the bond to investors. Bonds are considered to be safer investments than the stock market, but they usually have a lower return.

Sample 2

Why would a person want to include several investment options in their financial planning for the future?

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Practice Problems

52-WEEK		STOCK	DIV	YLD%	PE	VOL 100s	CLOSE	NET CHG
HIGH	LOW							
42.97	33.32	T	1.60	4.20	19.56	228,944	37.88	-0.04

Use the table above to answer the following questions.

1. How many shares of AT&T (T on NYSE) stock were traded on this day?
2. What was the closing price of a share of AT&T stock?
3. Is the closing price of AT&T stock higher or lower than the previous day?
4. What was the price of a share of AT&T stock on the previous day?
5. What was the percent increase between the high and low of AT&T stock over the past 52-week period?
6. If you owned 50 shares of AT&T stock, how much will you receive in dividends for the quarter?
7. Explain the meaning of the PE ratio for this company.
8. Suppose you purchased 150 shares of AT&T at its highest price in the last 52-week period and sold it on this day. You paid \$10.50 for an online fee for each transaction. Determine if you made or lost money. Show calculations to back up your conclusion.

Solve the following problem using a system of equations.

9. Mike received a bonus of \$6,000. He wants to invest the money in stocks that have historically had an annual yield of 10% and in a mutual fund that had a 5% annual yield. Mike does not want to earn more than \$500 or it will impact his taxes adversely. What amount should he invest in stocks and what amount should he invest in the mutual fund?