Make It Grow

Quiz answers (same five questions before and after)

1. **Compound growth means:**
   B. Growth on the original amount and on past growth Growth on growth. Nothing is guaranteed.
2. **What does inflation do to cash kept in a drawer?**
   B. It buys a little less each year At 3.7% inflation, $100 buys about $96.43 of last year's goods.
3. **A bond is:**
   B. A loan to a company or government that pays interest The SEC calls it a debt security, like an IOU.
4. **The SEC says large company stocks as a group have lost money about:**
   B. One out of every three years That is why money you need soon stays out of stocks.
5. **Someone promises a "guaranteed" high return. That is:**
   B. A red flag The SEC says there is no such thing as high guaranteed returns.

Worksheet answers

1. $1,000 earns an example 7% a year. What is it worth after one year? After two?
   $1,070 after one year. $1,144.90 after two.
2. Prices rose 3.7% over a year. About how much of last year's stuff does a $100 bill in a drawer buy now?
   About $96.43 worth.
3. In one sentence each: what is a stock, a bond and a fund?
   A stock is a small piece of ownership in a company. A bond is a loan to a company or government that pays interest. A fund pools many people's money to buy many stocks or bonds at once.
4. Two players put in $50 a month at an example 7% until 65. One starts at 16, one at 26. How much does each put in, and about how much does each have?
   From 16: $29,400 in, about $243,317. From 26: $23,400 in, about $119,181.
5. Name three signs of an investment scam.
   Any three: "guaranteed" or "risk-free" returns, pressure to buy now, "inside" information, "everyone is buying it", flashy lifestyles or fake testimonials, messages you did not ask for, paying by gift card or wire.
6. Should this year's tax set-aside go in stocks or in insured savings? Why?
   Insured savings. You need it by April, and large company stocks lose money about one out of every three years.

The warm-up and Film Room answer keys are on nychonor.org/academy-teachers#module-04.

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