

Part III Review**Vocabulary**

Circle the letter of the word(s) that complete the sentence.

1. Investments that allow you to pool your money with other investors and buy a variety of stocks or other investments are called _____.
a. Certificates of deposit b. Mutual funds c. Corporate bonds
2. Investments that are really loans to the federal government are called _____.
a. Savings bonds b. 401(k) plans c. Certificates of deposit
3. One type of retirement plan offered by many employers is called a(n) _____.
a. Corporate stock b. IRA c. 401(k) plan

Skills

Find the answer.

4. Warren redeemed a \$500 paper U.S. Savings Bond for \$389.67. How much interest did he earn on the bond? _____
5. How much interest will Jennifer earn on a 6-month \$2,000 CD that has an annual effective yield of 1.784%? _____
6. What is the cost of 60 shares of a stock selling at \$35.60 per share? _____
7. What is the value of 500 shares of a stock trading at \$56.13 per share? _____
8. How much profit did Myra make when she bought 30 shares of a stock at \$17.75 per share and sold them at \$31.32 per share? _____
9. What was the loss when Kevin was forced to sell 150 shares of stock at \$27.48 per share that he purchased at \$41.74 per share? _____
10. To the nearest tenth of a percent, what is the rate of return on 20 shares of a stock that sells for \$46.52 and pays \$2.75 in dividends? _____

Name _____ Date _____

Find the answer.

11. To the nearest tenth of a percent, what is the yield on a bond that costs \$953 and pays \$68.93 in interest annually? _____
12. How much interest is earned per year on a \$1,000 bond with an interest rate of 6.492%? _____
13. A mutual fund has a buy price of \$12.81 per share and a sell price of \$13.18 per share. Chita owns 240 shares of the mutual fund. What is the current value of Chita's shares? _____
14. A pension plan pays 2% per year for each year of service. How much will the annual pension benefit be for a woman with 24 years of service and average annual earnings of \$47,500? _____
15. A pension plan pays 1.5% per year for each year of service. How much will the annual pension benefit be for a man with 17 years of service and average annual earnings of \$36,000? _____
16. Jessie decides to contribute 5% of her salary to a 401(k) plan. Her annual salary is \$38,400, and she is paid once per month. How much will Jessie contribute to her 401(k) plan each pay period? _____
17. In 2011, the maximum IRA contribution for individuals aged 50 or older was \$6,000. In that year, Dominic was 61 years old. He contributed \$2,400 to his Roth IRA. What is the maximum amount he could contribute to his traditional IRA in 2011? _____
18. Sylvia wants to make one investment now so that she will have \$32,000 for the down payment on a house in 16 years. She invests in a mutual fund in which her money is expected to double every 8 years. How much money should Sylvia initially invest? _____
19. Edgar invests in corporate bonds. Last year, his income from bonds was \$948.29. This year, his income from bonds was \$123.72 less than it was last year. What was the total income from his bonds for the 2 years?

Pages 117-118**Money Tips**

1. Possible answers: To provide for a more comfortable retirement; to protect earnings from taxes; to invest in a plan that may earn at a rate higher than other investments would offer
2. Possible answers: Less earned income (self-employed persons' income usually varies from year to year); higher expenses; money used for more immediate needs (car, home repair, a new baby)
3. \$72,000
4. a. \$2,000
b. \$3,200
c. \$4,800
5. Self-employed persons who make tax-deductible contributions to a Keogh profit-sharing plan would pay less in federal tax than they otherwise would.
6. Possible options: (a) Invest the 10%, pay your expenses, and live on a more limited budget; (b) Invest the 10% and cut down expenses where possible; (c) Invest less, say 5%, to reduce the financial burden; or (d) Invest nothing for that year. Answers will vary as to which option to choose.
7. Answers may vary.

Page 120**Estimation Skill**

(Estimates may vary. Possible estimates given.)

- | | |
|-----------------------|-----------------------|
| 1. 3,500 ⁻ | 2. 9,000 ⁺ |
| 3. 18,000 | 4. \$90 ⁻ |
| 5. \$40 | 6. \$600 ⁺ |
| 7. 36 ⁺ | 8. 140 ⁻ |
| 9. 40 | 10. 20 ⁻ |
| 11. 20 ⁺ | 12. 50 ⁺ |
| 13. \$2 ⁻ | 14. \$3 ⁻ |
| 15. \$8 ⁻ | 16. 3 ⁺ |

Pages 122-124**Problem Solving Strategy**

1. b
2. a
3. Possible estimate: \$25; exact answer: \$24.75
4. Possible estimate: \$9,000; exact answer: \$8,525
5. Possible estimate: \$40,000; exact answer: \$39,312
6. Possible estimate: \$9,000; exact answer: \$8,635
7. Possible estimate: \$2,200; exact answer: \$2,266
8. Possible estimate: \$45; exact answer: \$45.75
9. Possible estimate: \$12,000; exact answer: \$10,696
10. Possible estimate: \$3,500; exact answer: \$3,055.50
11. Possible estimate: \$60; exact answer: \$62.92

Pages 125-126**Part III Review**

1. b
2. a
3. c
4. \$139.67
5. \$17.84
6. \$2,136

7. \$28,065
8. \$407.10
9. \$2,139
10. 5.9%
11. 7.2%
12. \$64.92
13. \$3,163.20
14. \$22,800
15. \$9,180
16. \$160
17. \$3,600
18. \$8,000
19. \$1,772.86

Pages 127-128

