Answer Key

Chapter 11

Section 4

Reading Study Guide

Graphic Organizer:
Bonds: Low-risk: Treasury bonds, municipal bonds; municipal bonds often exempt from income tax; high risk: corporate bonds, especially junk bonds; Prior to purchase, investors should know coupon rate, price relative to par value, market interest rate; default is biggest risk; Standard & Poor's, Moody's provide credit ratings; Other Financial Instruments: CDs: available at banks, S&Ls, credit unions; at maturity, investor receives principal with compound interest; insured by federal government up to $100,000 per depositor per institution; possibility of interest-rate risk; MMMFs: mature in one year or less; investors share in a wide variety of assets; tightly regulated, so low-risk.

Mark It Up!

1. $6,630
2. $69,405
3. They are backed by the federal government.

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