

Investing (Finance)

Stocks, bonds, and other investments are ultra-useful financial tools that allow investors (or anyone who's willing to make educated, cash-backed financial decisions) to increase their worth and become part of today's fast-moving business landscape.

Stocks are pieces of ownership of publically traded companies that clients purchase with the hopes of turning a profit, and (ideally) after conducting much research as to a company's revenues, business model, and more. Stocks are purchased through the stock exchange, and specifically, through a stockbroker, brokerage firm, or licensed trading website.

Shares of a company are always being bought and sold by individuals, and accordingly, there's never any delay in processing a transaction. A company's stock price will conceivably rise following positive reports and profit data, and as a result, individuals who purchased a stock at a lower price will benefit from this price increase (as the shares they bought will each be worth more). Some stocks also pay dividends, or small, scheduled payments, to clients.

Bonds are essentially pieces of debt purchased by clients in exchange for interest. Government bonds can be bought for set prices, and after they've matured, investors can claim more money than they input initially; their benefit is obvious, and for the government, the perk of having liquid cash is significant. Corporate (company-issued) and municipal (state or local-government-issued) bonds similarly provide short-term cash for the issuers and long-term boosts for investors. As was indicated, however, many bonds cannot be freely backed out of (as stocks can), and investors who sell before maturation will be subjected to penalties of varying severity. Investing smartly in stocks and bonds is a great way to increase one's worth, plan for retirement, and play an active role in the financial landscape.

Did you understand the text?

1) Where are stocks bought and sold?

- a) Through companies
- b) Over the phone, through a 24/7 hotline
- c) From company employees, managers or members of the Board of Directors
- d) Through stock exchanges, with the assistance of a licensed stockbroker, brokerage firm, and/or brokerage website

2) What is a bond?

- a) Essentially the same thing as a stock
- b) A piece of debt purchased and compensated for through interest paid to purchasers
- c) A publicly traded piece of a company
- d) A short-term investment

3) How large are dividends, typically?

- a) 55% of total investment
- b) 75% of total investment
- c) 95% of total investment
- d) It depends, but usually a very small percentage of total investment

4) What is one key benefit of purchasing a bond?

- a) Not having to worry about a company's performance, in relation to being paid
- b) Being free to sell as is personally convenient, with no penalty
- c) Making a substantial amount of money in as little as a few days
- d) Being able to show-off to friends and family members

5) Why is it a good idea to invest in stocks and bonds?

- a) Doing so wisely will increase one's worth
- b) Doing so may help expedite one's retirement savings status
- c) Doing so allows one to be an active member of the financial sphere
- d) All of the above