

NAME: _____

DATE: _____

PRE-QUIZ

Investing vs. Saving

What + Why: A quick, ungraded check on what you already know—your answers help shape the learning ahead. It's okay not to know— just give it your best shot.

Instructions:

1. Answer each question as best you can.
 2. Circle the best answer for each question.
 3. Submit it when you're done.
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1. How does compound interest grow money over time?
 - a. Compound interest pays interest only on the original amount deposited.
 - b. Compound interest increases the interest rate each year.
 - c. Compound interest earns interest on both the original amount and previously earned interest.
 - d. Compound interest guarantees a fixed return regardless of market conditions.
 2. Marquis plans to buy a car in six months and cannot risk losing money needed for the purchase. Which option is most appropriate?
 - a. invest the money in individual stocks
 - b. place the money in a savings account
 - c. purchase long-term bonds
 - d. invest in a stock mutual fund

3. Which investment type represents ownership in a company?
 - a. bond
 - b. stock
 - c. certificate of deposit
 - d. savings account

4. What is the typical relationship between risk and return?
 - a. Higher potential returns always come with lower risk and lower uncertainty.
 - b. Higher potential returns usually involve greater uncertainty and possibility of loss.
 - c. Lower-risk investments always earn more over time and have lower possibility of loss.
 - d. Risk and return are unrelated.