Name______________________________ Date______________

Lesson 6—Handout 1

Vocabulary

Diversification—The distribution of investments among several companies to lessen the risk of loss.

Bonds—Financial assets that represent loans to corporations, municipalities, governments or their agencies.

Face value—The original value of the bond. This is usually stated in thousands of dollars.

I savings bonds—A low-risk savings product that earn interest while protecting you from inflation.

EE savings bonds—A secure savings product that pays interest based on current market rates until they reach 30 years or until you cash them, whichever comes first.

Treasury bonds—Securities with terms of 20 or 30 years. Interest is paid semiannually.

Treasury bills—Short-term securities with maturities ranging from a few days to 52 weeks. They are sold at a discount from their face value.

Treasury notes—Interest-bearing securities with maturities ranging from two to 10 years. Interest payments are made every six months.

Treasury inflation-protected securities (TIPS)—Marketable securities whose principal is adjusted by changes in the Consumer Price Index. TIPS pay interest every six months and are issued with maturities of five, 10 and 30 years.

Stockholder/shareholder—A person who owns stock in a company and is eligible to share in profits and losses.

Dividend—A share of profits paid to a stockholder.

Common stock—A kind of ownership in a corporation that entitles the investor to share any profits remaining after all other obligations have been met.

Preferred stock—A kind of ownership in a corporation that entitles the investor to the payment of fixed dividends and priority in the distribution of assets.

Stock appreciation—When the value of the stock increases.

Stock depreciation—When the value of the stock decreases.

Ticker symbol—Provides a unique identifier by which individual securities can be researched and traded.

Name____________________ Date__________

Lesson 6—Handout 1

Vocabulary (Cont.)

Market capitalization (market cap)—Refers to the total value of a company in the stock market.

Bid price—When buyers offer to buy shares of stock at a given price.

Ask price—When sellers simultaneously offer to sell shares of stock at a given price.

Stock exchange (market)—A marketplace to buy and sell securities such as stocks and bonds.

Mutual fund—A pool of money managed by an investment company.

Index fund—A type of mutual fund where components of the fund track the performance of a financial market index.