

VOCABULARY

# NOTES

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## Stocks

What are they?	What does the company get?	What does the investor get?

Stocks are also known as \_\_\_\_\_

As proof of ownership, you get a \_\_\_\_\_

## Stock Returns

\_\_\_\_\_ People who have invested in a corporation and own some of its shares of stock.

Stockholders benefit in 2 ways:

1. \_\_\_\_\_ return on each share when company has a profit
2. \_\_\_\_\_ for \_\_\_\_\_ than they paid for it

## Capital Gains and Losses

\_\_\_\_\_ : \_\_\_\_\_ in value of an asset from the time it was bought to the time it was sold.

\_\_\_\_\_ : \_\_\_\_\_ in value of an asset from the time it was bought to the time it was sold

### Examples

- A. You buy a stock for \$20 and sell it for \$30, you make a profit of \$\_\_\_\_\_ which is called a capital gain / loss.
- B. You buy 10 stocks for \$15 and sell them for \$7, you lose \$\_\_\_\_\_ which is called a capital gain / loss.

## Bonds

A certificate issued by a company or the government in \_\_\_\_\_.

It \_\_\_\_\_ a stated rate of \_\_\_\_\_ over a specific period of time plus the original amount

This specified date is called \_\_\_\_\_.

Bondholder is \_\_\_\_\_ in company (or government)

Bondholder is sometimes called \_\_\_\_\_ because the company or government is in debt to them

### Tax Exempt Bonds

Bonds sold by \_\_\_\_\_ governments; interest paid on the bond.

\_\_\_\_\_ taxed by federal gov't.

Good investment for wealthier people who would otherwise pay taxes on investments

### Savings Bonds

Bonds issued by the \_\_\_\_\_ as a way of \_\_\_\_\_; they are purchased at half the face value and increase every 6 months until full face value is reached.

*Example:* Buying a \_\_\_\_\_ savings bond for \_\_\_\_\_. It increases in value every 6 months until maturity.

### T-Bills, T-Notes, and T-Bonds

Similarities	Differences
Minimum amount is \$ _____	<u>T-Bills</u> mature in a _____
All are certificates issue by the Treasury Dept. of the Federal Government	<u>T-Notes</u> mature in _____
	<u>T-Bonds</u> mature in _____

### Stocks Summary

1. All corporations issue or offer to sell stock. That act is what makes them corporations
2. Stocks represent ownership
3. Most stocks do not have a fixed dividend rate
4. Dividends on stock are paid only if the corporation makes a profit.
5. Stocks do not have a maturity date. The corporation issuing the stock does not repay the stockholder.
6. Stockholders usually elect a board of directors who control the corporation.
7. Stockholders have a claim against the property and income of a corporation only after the claims of all creditors (including bondholders and holders of preferred stock) have been met.

### Bonds Summary

1. Corporations are not required to issue bonds
2. Bonds represent debt
3. Bonds pay a fixed rate of interest
4. Interest on bonds normally must always be paid, whether or not the corporation earns a profit.
5. Bonds have a maturity date. The bondholder is to be repaid the value of the bond, although if the corporation goes out of business, it does not normally repay the bondholder in full.
6. Bondholders usually have no voice in or control over how the corporation is run.
7. Bondholders have a claim against the property and income of a corporation that must be met before the claims of any stockholders, including those holding preferred stock.

## STOCK & BOND MARKETS

*Main Idea: Ownership of stocks and bonds can be transferred on centralized exchanges or in decentralized markets.*

\_\_\_\_\_ person who acts as a go-between for buyers and sellers of stocks and bonds.

- Could be a \_\_\_\_\_ (real person)
- Could be \_\_\_\_\_ firm
- Fees range

## Stock Exchanges

Largest—\_\_\_\_\_ (NYSE)

- Company must prove they are in good financial condition
- Most are among the largest, most profitable corporations in the country.

\_\_\_\_\_ – for stocks not listed on the organized exchanges

- Largest – \_\_\_\_\_ (National Association of Securities Dealers Automated Quotations)

## Stock Market Indexes

Measures of what is happening to a given set of stock prices for a specified list of companies

The most well known is the \_\_\_\_\_ Industrial Average – “The Dow”

Tracks \_\_\_\_\_ major industrial companies

\_\_\_\_\_ (S&P 500) -- Tracks stock prices of \_\_\_\_\_ companies

## Bull & Bear Market

\_\_\_\_\_ refers to when stock prices \_\_\_\_\_ steadily

\_\_\_\_\_ refers to when stock prices have been \_\_\_\_\_ for a period of time.

## Mutual Funds

- Investment company that \_\_\_\_\_ of many individuals to buy stocks, bonds, or other investments.
- Most hold a variety of \_\_\_\_\_
- \_\_\_\_\_ in one area are likely made up for by \_\_\_\_\_ in another area
- \_\_\_\_\_ Interest rates, Medium \_\_\_\_\_ involved
- \_\_\_\_\_ by Federal Government

## Money Market Funds

- Type of \_\_\_\_\_ that uses investors' funds to make short-term loans to businesses and banks.
- Must be above \$ \_\_\_\_\_
- \_\_\_\_\_ by Federal Government

## Government Regulations

Regulated to \_\_\_\_\_ at both state & federal levels

Securities and Exchange Commission (SEC)

Administers all federal \_\_\_\_\_

Investigates and dealings among corporations, such as mergers (that could affect the value of stocks)

States laws are designed to \_\_\_\_\_ that would take advantage of small investors