Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Period\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Class\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ are investments that pay a fixed amount and promise to return your principal at some point in the future. These investments include \_\_\_\_\_\_\_\_\_, \_\_\_ \_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_ stock. \_\_\_\_\_\_\_\_\_ use these as a source of \_\_\_\_\_\_\_\_\_.

\_\_\_\_\_\_\_\_\_ are securities that investors purchase that represent a loan to a company or government. A bond is a financial contract where one party, the\_\_\_\_\_\_\_\_\_, loans money to the borrower, or \_\_\_\_\_\_\_\_\_, in return for a series of fixed interest payments and the return of the face value, or \_\_\_\_\_\_\_ value of the bond.

Bonds rank \_\_\_\_\_\_\_\_\_ in the capital structure than stock.

The largest issuer of debt securities in the world is the \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_. These investments are called Treasury \_\_\_\_\_\_\_\_\_, Treasury \_\_\_\_\_\_\_\_\_, and Treasury \_\_\_\_\_\_\_\_\_. When you loan money, the\_\_\_\_\_\_\_\_\_rate you are paid is related to the likelihood of getting your money back. US Treasury notes will have a \_\_\_\_\_\_\_\_\_yield because the risk of default is almost zero for the US government.

Bond \_\_\_\_\_\_\_\_\_is the rate of return if you hold the bond until maturity.

Market interest rates and bond prices move in \_\_\_\_\_\_\_\_\_ directions.

Bonds are issued by \_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_.

Some bonds are backed by pools (or groups) of home mortgages; these are known as \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ (MBS), which are part of a class of bonds called “\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_” securities.

Bonds can be purchased as part of a mutual fund, \_\_\_\_\_\_\_\_\_, or through your broker for individual issues.

Some bonds are callable, which means they have a call feature. It means that the issuer can call away your bond in exchange for cash payment in excess of the face value, before the \_\_\_\_\_\_\_\_\_ date.

List the three types of risk with bonds and define each.

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
3. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_ stands for certificate of deposit. It is simply a \_\_\_\_\_\_\_\_\_ to a bank, which the initial investment gets repaid to you on the maturity date along with interest earned. There are \_\_\_\_\_\_\_\_\_ or fees associated with early redemption in most cases.

\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_ is a class of ownership in a corporation that has a higher claim on its assets and earnings than common stock. This class generally have a dividend payment that must be paid out before dividends on common shareholders, and the shares usually do not carry voting rights.

**KEY**

Fixed income securities are investments that pay a fixed amount and promise to return your principal at some point in the future. These investments include bonds, certificates of deposit and preferred stock. Retirees use these as a source of income.

Bonds are securities that investors purchase that represent a loan to a company or government. A bond is a financial contract where one party, the creditor, loans money to the borrower, or debtor, in return for a series of fixed interest payments and the return of the face value, or par value of the bond.

Bonds rank higher in the capital structure than stock.

The largest issuer of debt securities in the world is the United States Treasury. These investments are called Treasury bills, Treasury notes, and Treasury bonds. When you loan money, the interest rate you are paid is related to the likelihood of getting your money back. US Treasury notes will have a low yield because the risk of default is almost zero for the US government.

Bond yield is the rate of return if you hold the bond until maturity.

Market interest rates and bond prices move in opposite directions.

Bonds are issued by governments, municipalities and corporations.

Some bonds are backed by pools (or groups) of home mortgages; these are known as mortgage-backed securities (MBS), which are part of a class of bonds called “asset-backed” securities.

Bonds can be purchased as part of a mutual fund, ETF, or through your broker for individual issues.

Some bonds are callable, which means they have a call feature. It means that the issuer can call away your bond in exchange for cash payment in excess of the face value, before the maturity date.

List the three types of risk with bonds and define each.

CD stands for certificate of deposit. It is simply a loan to a bank, which the initial investment gets repaid to you on the maturity date along with interest earned. There are penalties or fees associated with early redemption in most cases.

Preferred stock is a class of ownership in a corporation that has a higher claim on its assets and earnings than common stock. This class generally have a dividend payment that must be paid out before dividends on common shareholders, and the shares usually do not carry voting rights.

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