Stocks and Bonds are financial claims or contracts. They are also known as ­­­­­\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that investors can purchase.

Stocks are also known as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. When you purchase shares of stock, you own a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ part of a business. An investor can buy shares in any company as long as they are publicly \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, that is, listed on a stock exchange.

There are several benefits to owning stock:

You can receive \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, which are cash payments from the company’s accumulated profits.

The price of the stock can go up, with results in \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (an increase in the value of your stock above the original cost).

You get \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ rights in selecting the board of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (group that represents the shareholders’ interests)

One of the most important reasons to own stock is that equity prices are unbounded on the upside. That is, a stock can go up forever; there is unlimited potential for capital gains.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ownership allows investors to participate in a growing business without actually \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for the company. All you need to do is purchase shares and you are an owner.

Additionally, the price of a stock is bounded on the downside by zero. You can only lose what you put into a stock, even if the company goes out of business.

Creating a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of stocks is an important part of the STARS program.

Reasons to own debt (or bonds):

Suppose that you take your cash to the bank and purchase a certificate of deposit. This is an example of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ money to a company (in this case, a bank). The bank promises to pay you interest and will return your original investment on a specific date. An investor who loans money is known as a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

When an investor loans money (perhaps in the form of a bond), there is limited downside and limited upside, unlike stock. Even if a company goes into \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, the creditor usually gets something back, but not your original amount invested. As a bond investor, you accept a lower \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for lower \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of loss.