Companies need \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ in order to grow. When you hear capital, think \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Suppose you own a successful restaurant and you want to open 5 more across the state. You need capital to fund, or pay for, this expansion plan. Where does the money come from?

There are two options:

Option 1: Borrow the money (from a bank or individuals). They give you money today, and you promise to pay them back (plus interest) on a specific date. This is known as \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Option 2: Sell part of your company in exchange for cash. This is known as selling \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or stock in a company.

So who loans the money, or buys the stock, so the company can raise capital? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. They provide capital to companies who need money to grow (or to survive).

For example, suppose you are a working professional who has saved up $5000 over the last year. Where do you put the money?

Under your mattress? That pays zero \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and it’s not \_\_\_\_\_\_\_\_\_\_.

Keep it in the bank? Well, it’s quite \_\_\_\_\_\_\_\_\_\_, but the interest is \_\_\_\_\_\_\_\_\_.

Remember, companies need capital. Investors have capital. The two parties meet in what we call the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

What about loaning the money out to a business or purchasing shares in a company? This is called \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

Of course this introduces \_\_\_\_\_\_\_\_\_\_ and uncertainty into the equation. There is a trade off; you have \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ chance of loss, but the potential returns are much higher than a \_\_\_\_\_\_\_\_\_\_ offers.

Investing is taking your \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (money) and placing it at \_\_\_\_\_\_\_\_\_\_ in the hopes of future gains or profit.

A gain is when you receive cash flows \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_than your original investment. For example, if you bought a share of Wal-Mart at $59 and sold it one year later at $70.

A loss is when your investment pays you \_\_\_\_\_\_\_\_\_\_\_\_\_ than your original cost.

Investing does not come without risk. Risk is the probability of \_\_\_\_\_\_\_\_\_ of capital

We can invest in two types of assets:

Financial assets are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (which represents ownership in a company), \_\_\_\_\_\_\_\_\_\_\_ (loans to companies or governments) and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (pooled investment accounts).

Real Assets include \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, real estate, and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (like gold).