

Investing

Financial Pyramid

Name: _____

1. Many investors structure their investments as a pyramid. According to this video, what is at the very base of the pyramid? Please be sure to identify the amount of acceptable risk (chance of loss) and liquidity (can assets be converted to cash?) at the pyramid's base.
2. What is in the middle of the financial pyramid? How much risk is acceptable at this state and what types of returns do we hope to earn?
3. What is at the top of the financial period? Please be sure to describe the amount of acceptable risks and potential rewards/returns because investors accept this risk.
4. The investment period is built on the concepts of risk-rewards and the idea that we need access to cash before we speculate. In your own words, please describe how the investment pyramid balances risk/rewards and the need to have access to cash (liquidity).
5. This video also contains an important warning about "pyramid schemes" which are criminally fraudulent and must not be confused with the "investment pyramid". In your own words, please describe how a pyramid scheme (also called a Ponzi scheme) defrauds investors

