

Business & Personal Finance

Investing in Bonds

Name: _____

How Bonds Work (video www.myBusinessEd.com, Financial Literacy page, link 10 G

1. A bond issuer, unlike stockholders, do not have ownership or voting rights in the issuing entity. When you buy a bond, what should we do?
2. What is the “par value” or “face value” of a bond?
3. What is the interest per year on a bond called?
4. What does it mean to buy a bond at a “premium”?
5. What does it mean to buy a bond at a “discount”?
6. What is the “current yield” and how is it calculated?
7. What is the “maturity date” of a bond?

8. What are “call privileges” and how are they used?

9. What is “default risk”?

10. What is “interest rate risks”

Online Research: Please answer the following questions

11. Why are bonds often viewed as a more predictable & stable than the stock market?

12. What is default risk?

13. What type of bonds, governments or corporate, represent a greater risk of default? Why?

14. Please identify a ratings agency that assesses the risks of bonds.

15. When other bonds are available paying higher interest rates, what do bond owners have to do to sell their bonds that are paying lower rates?

16. What role should bonds play in a diversified investment portfolio?