Types of Investment Products – Accessible Version

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Savings Bonds

- **Bonds**: When you buy a bond, you are lending money to the issuer (which may be a corporation or a state or local government) for a certain period of time, called a term. The corporation promises to repay the amount of money you are lending it on a specified date in the future. In addition, it may promise to make regular interest payments to you.

- **Note**: You may lose money if the corporation fails to honor its promises.

U.S Treasury Securities

U.S. Treasury securities are offered by the Federal Government, and include:

- **I Savings Bonds**: I Savings Bonds are purchased at face value, which is the amount printed on the bond. In other words, a $50 bond will cost $50. I Bond interest is composed of a fixed rate plus an inflation rate, which may change every six months. Interest is added to the bond monthly and is paid when the bond is cashed.

- **EE Savings Bonds**: EE Savings Bonds are normally purchased at half their face value, so a $50 bond will cost $25. If you buy EE bonds electronically via www.TreasuryDirect.gov, they are sold at face value. You will earn a fixed rate of interest that is set when you purchase the bond.

  Savings Bonds must be held for one year before they can be cashed. However, if you redeem a bond before it is five years old, you will lose three months of accrued interest.

- **Treasury Bills**: Treasury bills or T-bills are sold at a discount from their face value and range in terms from a few days to a year. For instance, you might pay $99 for a $100 bill. When the bill matures, you would be paid $100. The difference between the purchase price and face value is interest.

- **Treasury Notes**: Treasury notes or T-notes pay interest every six months.

- **Treasury Inflation-Protected Securities (TIPS)**: Treasury Inflation-Protected Securities (TIPS) provide protection against inflation, and the interest rate is tied to the Consumer Price Index. TIPS pay interest twice a year.
• **Treasury Bonds:** Treasury bonds or T-bonds pay interest every six months. They are issued for a 30 year term.

**Stocks**

When you buy a stock, you own part of the company, called a share. A company that does well might periodically pay you dividends. Dividends are the portion of the company’s profits that it gives to you as a shareholder. The value of your investment changes according to the stock market. When you sell the stock, you may either earn or lose money.

**Mutual Funds**

Mutual funds are offered by companies that combine money from many investors to purchase numerous separate investments. The investment products in a mutual fund are managed by a professional and typically include numerous stocks and bonds.

By combining your money with the money of other investors, you can diversify even a small investment. Diversification is the concept of “do not put all of your eggs in one basket.”

Diversification reduces the risk that you will lose your money because you spread the risk of loss across many savings and investment options.

Like stocks, mutual funds may pay dividends, and they may also gain or lose money over time.

• **Exchange-Traded Funds:** An exchange-traded fund (ETF), like a mutual fund, is a company that pools money from investors to buy stocks, bonds, or other investments. Most seek to match the return of a particular market index.